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Agriculture as Industry?

Rural Development in the Approach Paper

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EDITORIAL - SOME HIGHLIGHTS

I. General Economic Scene

State

Planning Commission

There were three meetings of the commission in May: a) to review the Union Planning Commission's approach paper to the VIII Plan, b) to prepare for the meeting with the Deputy Chairman. At these meetings, the state commission reviewed and approved the Approach Paper to the VIII Plan and raised questions about the procedures and timing of decentralization of Planning from the union to the states and from the states to local governments. In this connection, it was pointed out the letter from the Union Planning Commission Secretary showed that the old centralised procedures were still being followed. The visit of the Deputy Chairman was used to raise some of these questions and to brief him on the major problems faced by the State Plan during the VIII Plan — not only in the field of power and water. The Regional Meteorological Centre reports that six districts including Madras received excess rainfall during the period March 1 to May 31, 1990. Madras recorded the highest percentage from normal at 394 mm (44 per cent) followed by Chengai Anna 81 mm (247 points), North Arcot 268 mm (114 per cent), Periyar 234 mm (38 per cent), Tiruchi 173 mm (32 per cent). Thanjavur 151 mm (31 per cent). 6 other districts recorded normal rainfall. Coimbatore 151 mm (17 per cent), Kanyakumari 179 mm (11 per cent), Dharmapuri 190 mm (3 per cent), Ramanathapuram 126 mm (—3 per cent), Pasumpon Thevar Thirumurugan 133 mm (—5 per cent) and South Arcot 83 mm (—9 per cent). The remaining 8 districts received deficient rainfall.

Climate and prices

June continued to be warm and cloudy with occasional bouts of rain. The south west monsoon set in on time towards the end of June and the southern districts received their share of the monsoon rains. On prices, the monthly abstract of statistics from CSO for February 1990 is still awaited and so the price situation in the state's review in the last issue remains.

Power

The power situation in the state during June was normal due to comfortable hydel position following the heavy rains in May registered in the last issue. At the end of June, the government announced that the 10 per cent demand cut on HT users will be abolished from July 1, so that there will be no power cut in the state. The third stage of the Tuticorin thermal plant comprising 2 units of 210 MW each is being readied. The first unit of this third stage is to be synchronised with state electricity grid in March 1991 and the second unit in September 1991. These 2 units will contribute 2200 MU per annum, adding to the good performance of the plant which is contributing to meeting 25 per cent of the state consumption. Work on the North Madras thermal plant is progressing well and the first 210 MW set is expected to be commissioned in March and the other two sets 6 months later. ADB is providing a loan of $ 150 million towards the project. TNEB states that it will set up four 55 KW wind mills between Nalatinputhur and Thalaythri in Chidambaram district and a 1.5 MW wind mill at Kottaikurungalam, in addition to the 14 MW wind mills at Mullaikadu, Kayathur (Chidambaram district) Puliyankudi (Tirunelveli Kattabomman districts). The government states that TNEB is setting up the combined cycle turbine plants using natural gas. It proposes to establish a 300 MW combined cycle gas turbine plant at Thirumalaivasal and another 10 MW turbine plant at Narimanam, in addition to the 120 MW gas turbine plant at Basin Bridge.

At the national level, the major development in the power field, is the decision of the government to amend the Electricity Act to permit the private sector to participate in power generation. The proposal for private sector participation in this state goes back to 1961 when the then state's industries minister, Mr. R. Venkataraman, invited a consortium of private industries to set up capitive plants to meet their power needs in the Madras area and feed any excess into the state grid. From time to time there have been proposals by the state government for private sector participation. Now faced with the problem of raising resources for the additional generation capacity of 38,000 MW during the VIII Plan (which according to FICCI will still leave the country short by 48,000 MW in 1994-95), the government has broken through the barrier and announced a series of measures to enable the private sector to participate in power generation. The new measures to be enacted are : a) increasing the rate of return for the participating private sector from 12 to 15 per cent as an incentive : b) raising the debt equity ratio to 4:1 and the scope for capitalisation of interest during the initial construction period as a means of helping the sector to raise the resources : c) increasing the initial period of validity of the license from 20 to 30 years and the subsequent extension for 20 years on each occasion: d) exemption from

MRTP clearance for the private license: e) allowing private sector companies to operate independently like NTPC in association with their state governments or SEBS : f) to encourage foreign private investment a high powered board being set up to provide single point clearance to applicants: g) captive units selling or distributing surplus power to SEBs. To ensure additional resource mobilisation atleast 60 per cent of the outlay has to come from sources other than public financial institutions, atleast 11 per cent by way of promoters contribution. This is an important forward step which should increase power availability. The major problem faced by the proposed programme is the lack of good quality coal with low ash content. This has to be faced and the opening up of the hydel sector to private effort should be considered. The power situation in June in the country was helped by the onset of the south west monsoon on time. In Karnataka the heavy rains have resulted in postponing further power cuts on HT units. NHPT reports a record power generation of 550, 954 MU against the target 469000 MU in May, involving a 117 per cent capacity use. The World Bank states that, under the bilateral aid energy sector management assistance programme (ESMAP), it is planning to fund a series of mini hydro schemes upto 3000 KW to harness the hydraulic energy associated with the existing irrigation dams and canal drops in the 4 southern states of AP, Karnataka, Kerala and Tamil Nadu, and Punjab. The plan is to develop some 15 to 20 schemes based on the economically most attractive prospects by canal system for each of the target states.

Transport

In June a series of development in the transportation area were recorded. The railway ministry has proposed laying of a new broad gauge line from Karur to Salem and conversion of the existing metre gauge into a broad gauge line from Salem to Bangalore by creating a separate corporation along lines of the Bombay-Mangalore-Konkan project. There is need to examine this type of financing of railway projects from the point of view of whether this is a means of attracting additional resources or is simply a switching of investment. The southern railway reports completing electrification of the Jolarpet-Mettur Dam line upto Morajpur which will speed the commercial trade between the two points. The southern railway also report the completion of the second metre gauge line from Tambaram to Chingleput and the clearance by the Research Design and Standard Organisation of the thryster controlled EMU motor coaches produced by ICF which will make the doubling of the line viable. In the city, the Mass Rapid Transit system (MRTS) is proceeding apace and with the allotment of Rs. 14 crores the work on the project is expected to move faster. The first stretch of the 8.5 km line from Madras Beach to Luz to reach Chepauk is to be completed by December 1991. The Madras Port Trust reports that in 1989-90 it handled 23.94 million tonnes of cargo which was a 5.6 per cent increase over that of the previous year, despite a steep fall in container transhipment. For 1990-91 the Madras Port has set itself a target of 25 million tonnes and with the help of the container corporation of India to lessen the transit time to Delhi, Ludhiana etc. The Port's container berth extension is complete and 2 gantries will be in position by August end.

Low priced country liquor

The sale of low priced country liquor which has been decided by the government to be sold by the Tamil Nadu Spirit Corporation (TASCO) is expected to commence on July 21. This is essentially a measure to raise resources and divert to the state's coffers the money flowing into illicit bootlegging. The project has aroused considerable opposition because of its social effects as seen by many voluntary bodies and some political parties.

Housing

The state government announced at the end of June that all slum tenements are to be brought within the hire purchase scheme. Under this decision the 50,000 slum tenements in Madras and other cities which have been rented join 20,000 tenements which are under the hire purchase scheme as per the 1974 decision. The purchase price is Rs. 50 per month for 10 years pre 1971 buildings, Rs. 75 per month for 10 years for 1972-75 tenements, Rs. 100 per month for 10 years for 1976-80 tenements and Rs. 125 per month for 15 years for 1981-90 tenements. The government in late June announced a scheme to build 1 lakh houses in 50 villages, at the rate of 200 houses a village.

National

Plan

The National Development Council meeting on May 18 & 19, reviewed in detail the Approach Paper (as summarised in the last 2 issues of the Bulletin) and approved it, with its thrust on employment and rural development. Every member of the commission spoke at the Council (this was a break from tradition). There was emphasis on the need to reduce the population growth rates, improve literacy rates especially among women, upgrade delivery systems in the rural areas, the need to promote self financing of higher education instead of subsidising it as at present, conservation and efficient use of energy, the transfer of population and health programmes to the states and the need to start with union government in the matter of democratic decentralisation. In a communication to the state, the union Planning Commission indicated that the VIII Plan outlay would be Rs. 600,000 crores which is about double the VII Plan in money terms and a 40 per cent increase in real tems.

Prices

The rate of inflation in May was 0.9 per cent, with whole sale price index standing at 174.4 on 26 May. Under primary articles which rose by 2.7 per cent, the index for food articles increased by 2.1 per cent, edible oils by 1.4 per cent and drugs and medicines by 2.5 per cent. CSO also reports that the consumer price index for industrial workers rose by 3 per cent (1.8 per cent) to reach 180 for the month of April. Government acknowledges that its policy is feeding inflation. The finance minister admits that the steep hike in the tax on petroleum prices (and the railway rates) have fed inflation. So too the rise in procurement prices and support prices of wheat, paddy, coarse grain and minimum cane prices as well as cotton, and the rise in prices of edible oil, cement, salt etc. all have fed the inflationary spiral, which as from March to end May stands at 1.9

per cent and for the year at 8.5 per cent. In this situation, the cabinet committee on prices (CCP) has not been able to bring down prices, the RBI's efforts to restrain credit expansion has not produced results. Apart from short term measures like action against hoarding, credit restraint and scaling down prices of wage goods, there is need for government to reduce its revenue expenditure and reduce its revenue deficit and increase the returns on its public sector investment.

Budget deficit, stock exchange and union loán

The government has promised a periodic review of the performance of the budget and the deficit. (See vol. XX p. 230). Over the 7 weeks ending May 11, RBI credit to government was Rs. 5637 crores which was Rs. 461 crores more than in that period in 1988-89, but the rate of increase was 7.8 per cent compared to the previous year's 8.6 per cent. This is heartening because there was a decline in revenue collection in April 1990 compared to April 1989. The really disturbing element is the small increase in excise duty by 3.27 per cent in April, for unless this rate increases and that depends on the value of manufacturing production, it will be difficult to hold the deficit down to the budgeted figure. On stock exchanges, the union government asked them to follow a uniform policy in the method of calculating the amounts to be deduced in the trading of shares. The government also announced that it is considering issuing further norms for establishing more openness in the stock exchanges to prevent them from being used as an instrument of manipulation and covert dealings. The Securities and Exchange Board of India (SEBI) announces that it is regulating and controlling the activities of merchant banks. The government in early May announced the issue of 4 loans aggregating Rs. 2000 crores, which is the first in the current financial year. As the RBI has raised SLR from 38 to 38.5 per cent, there should be no difficulty in the banks subscribing to the loans.

Economy

In January there were six important developments in the economy: a) proposal for the line of affluence, b) agricultural policy resolution, c) the debt relief scheme, d) housing policy, e) Panchayati raj and f) NSS on trade. At the meeting of chief ministers in June to discuss Panchayati raj and urban local bodies legislation, the Prime Minister advanced the proposal to have a line of affluence, as the counterpart to the line of poverty. The poverty line is aimed at identifying persons who do not have a minimum subsistance and to help bring them up to a point where they will have that. But this attack on poverty, has nothing to do with the inequality in society — where some are rich and getting richer and most are poor and remain poor. The line of affluence will be one means of stopping the rich getting richer and will bring the riches down to a ceiling. At this stage, this is only an idea thrown out for public debate. But in a society like ours with large inequalities amounting to inequity, there is no alternative to establishing and enforcing a line of affluence if there is to be less inequality in society. There are a number of issues which need to be worked out. First, we have rural and urban land ceilings and this is one obvious means of controlling the growing

inequality in society. The 1971 RBI rural debt and investment survey showed some narrowing of the inequality but also the continuation of massive disparities, which made the development efforts of the 6 five year plans a means of making the rich sections richer still. What is first needed to make the line of affluence real is to implement fully the ceiling laws. Second, the continuing drift to rely increasingly on indirect taxes to the point where over 90 per cent of government tax revenues is from indirect taxes should be revised, with income tax being restructured to reduce the ceiling, increase the rates and remove the various exemptions along with introducing and operating the expenditure tax and disparity tax. Further, there is need to agree upon the ceiling level for the line of affluence, and what will happen to wealth above that—will it be acquired by government. There will always be need to deal with benami transactions which must be borne and to take action to ensure that all private wealth does not exceed the ceiling. These need to be worked out, but there is no escape from establishing and implementing a line of affluence: many of the problems will be solved as it is operated. Second, on the agricultural policy resolution presented by the government at a National seminar in June, the main elements of the policy paper are : a) an increase in the annual agricultural growth rate to 6 per cent by doubling the five year plan outlays from 21 per cent in VII Plan to 40 per cent in the subsequent plan : b) farmers participation in all decision making concerning agriculture for which a standing committee of farmers to advise government on the entire gamut of agricultural policy is proposed: c) continuing and increasing input subsidy and incentive pricing and improved marketing policy as any withdrawal or lessening of these will result in sub optimal socio economic equilibrium : d) in computing farmers costs of production minimum wages should be included : e) the economy has not treated the farmer well as seen in the terms of trade being against the farmer, the benefits of the green revolution have gone to the consumer rather than to the farmers. The terms of trade for farmers are 87 today compared to 100 in 1967 : f) 8 objectives of the policy are listed to build a vibrant agricultural economy, a better life for farm community, an efficient institutional structure to fulfil the goals of economic efficiency, employment, exports, equity and ecological conservation along with efficient management of land and water resources. This draft agricultural policy is welcome because for the first time it places on the table for national discussion, the major components of agricultural development behind which is the agriculturalist, somewhat similar to the debate on industrial policy which has taken place regularly, every 5 years. It is time that agriculture is given an equal place in the national debate. There are some important issues that it raises that need further thought and decision. First, it seems to speak the language of the large and middle farmer, with nowhere a reference to the small and marginal farmer who are the majority or that of landless labourers, so that it seems to suggest that if the interests of the large and middle farmers are looked after, the benefits will ultimately seep down to the small farmer and landless labourers. But the trickle down theory is rejected in the VIII Plan. Hence the interests of the lower group of cultivators and workers should be built into the policy in relation to inputs, water, credit, etc. and the provision of increased income to the small and marginal farmer and full time

employment to the landless worker. Second, the emphasis on subsidy of inputs and incentive pricing should be related to productivity to avoid both inflation and the strain on the budget. Third, in computing costs the actual wages paid rather than the minimum wages which are almost never paid should be the basis of computation. Further, there is need for further work on the problem of the means of raising the current trend growth rate of 2.1 per cent in agriculture to 6 per cent in terms of the inputs, water, technology, land and water management: also if these are included the investment in agriculture and rural sector is 44 per cent: there is need for the target of 40 per cent proposed to be broken down in terms of various groups. Fifth, there is some loose language which need to be tightened with further analysis. The macro terms of trade have gone against the farming community but those who have suffered from it are the marginal and small farmers, particularly the farmers in the dry land, unirrigated areas who need early succour. The draft raises all the major issues to which attention should be given so that an agreed agricultural policy is evolved. Third, on the debt relief, the Rs. 10,000 against any amount of the loan obtained and not limited to the relief of loans not exceeding Rs. 10,000. This has raised the union governments liability by Rs. 400 crores in addition to Rs. 1025 crores as originally computed. In June also the union government settled the problem faced by the states who had to pay 50 per cent of the loans taken by their citizens from co-operative banks, with the union government paying the other 50 per cent. The union has arranged with RBI to provide states with a loan which will have to be repaid in 3 years to meet their 50 per cent share of the loan waiver. The cooperative sector loans of the state amount to Rs. 1500 crores and of this RBI is to advance as loan to the states Rs. 750 crores. For the union government against the budget provision of Rs. 1000 crores for this scheme, the total financial burden is Rs. 2250 crores. This scheme is strictly a one shot affair and is justified mainly on political grounds as redeeming a National Front Pledge. It sets a bad precedent in regard to non repayment of loans and adds to the financial burden of the union and state governments. Fourth, on the Draft Housing policy paper formulated by the union government, the main elements are: a) an investment of Rs. 77,496 crores in the VIII Plan of which 10 per cent would be in the union and states public sectors and reflected in their budgets : b) the public sector will be responsible for improving housing for the absolutely houseless, the displaced, disadvantaged women, SC & ST, and for providing the infrastructure for the private sector to build houses : c) the immediate goal is to double the investment in the public sector and create conditions for increased flow of funds to the private sector: d) the share of the financial institutions is to increase their investment upto 20 per cent of the total investment over the next 5 years: d) a new housing financing system is proposed which will provide support services to spread risks and increase liquidity, develop non conventional approaches for disbursement and recovery of loans and capture potential savings including that of informal sector households through schemes linked to guaranteed loans and access to legal shelter: e) in the rural areas, financial needs for new construction and upgradation should be in consonance with district credit plans and operation of

rural cooperatives and land mortage banks: f) *to integrate housing finance* with financial market, a mortgage insurance scheme for housing activity in the country and the creation of a secondary mortgage market to attract funds from a broader range of investors is proposed: g) to make housing affordable to the poorer sections, a graded systems of subsidies is proposed to bring down the cost of shelter: and h) development of housing sites and upgradation of housing in rural areas should be linked with IRDP, RLEGP and NREP. This draft policy is now being debated in 3 national seminars and a number of suggestions are being made for its modification and improvement. There is a continuity in the policy with that set forth in 1988. One important new element is that through government floating bonds and debentures for this scheme without questioning the source of the funds (the finance minister states that Rs. 80,000 crores *in black money* is available which is also the housing finance needed during the VIII Plan) housing finance might look up. Fifth, the June meeting of chief minister's called to reach an accord on Panchayat Raj and urban bodies as well as land reforms did arrive at a consensus on Panchyat Raj and urban local government on the basis of which it is proposed to introduce a constitutional amendment at the monsoon session of Parliament. The main agreement was on gram sabhas, which will be constituted by all persons in the electoral roll of a village, exercising such powers with regard to the panchayat as the state legislature may provide. This last is important because the law allows some flexibility in relation to the situation in each state. On land reform, there were differences and so it has been deferred to a later meeting. Finally, NSS announces *that its 48th round* will update the data base of the trade sector. Covering the wholesale and retail trade, the survey is a follow up of the economic consensus and will cover smaller trading establishments having 5 workers or less. The survey will be completed on June 30, 1991 and will help assess the *contribution* of the trade sector to the national economy.

Industry

The major event in the industry field in June was the announcement of the new industrial policy comprising : a) increase in investment ceiling on plant and machinery for small scale sector raised from Rs. 35 lakhs (fixed in 1985 (see Vol. XV p. 46) to Rs. 60 lakhs and for ancillary units from Rs. 45 lakhs to Rs. 75 lakhs : small scale units which increase their exports by 30 per cent in 3 years allowed to increase their capital to Rs. 75 lakhs : b) investment ceiling for tiny units increased from Rs. 2 lakhs to Rs. 5 lakhs, with better inflow of credit and other inputs to them : c) additions to the 836 items currently reserved tor the small *scale sector* to be made with no encroachments and violations by the large sector : d) a new scheme of central investment subsidy to small scale units to set up in rural and backward areas aimed at generating employment to be announced: e) to assist in the modernisation of the small scale sector to make its products competitive, technology centres, tool rooms, product and process development centres, testing centres are being set up under the small industries development organisation: f) the small sector bank—SIDBI —will ensure adequate flow of credit to the small sector: g) efforts will be made to identify rural areas with adequate power and other infrastructural

facilities to attract entrepreneurs to set up industries: h) procedures, returns inspections etc. will be cut down for small scale units: i) to assist artisans in rural industries, KVIC and other Planning Commission boards are expanded. Accordingly KVIC in agreement with the employment generation commission announced its plans to invest Rs. 24 crores in electronics, and Rs. 400 crores in agro processing industry in the current year: j) in agro processing industries close links between growth and processor units will be developed by giving licenses, when required, to set up industries where raw material are produced: k) technology approvals will be given within 30 days of presentation to the secretariat for industrial approvals: l) all new units upto an investment of Rs. 25 crores in fixed assets in non backward areas and Rs. 75 crores in backward areas are exempted from licensing: m) for import of capital goods, the entrepreneur is allowed to import upto a landed value of 30 per cent of the plant and machinery value of the unit: for imports of raw materials and components, imports are permitted upto a landed value of 30 per cent of exfactory value of annual production which excludes excise duty and OGL imports : o) foreign collaborations agreements can be signed by entrepreneurs without government clearance provided royalty payment does not exceed 5 per cent on domestic sales and 8 per cent of exports : p) foreign investment upto 40 per cent equity will be allowed automatically : q) the unit will have to conform to the minimum economic size, when prescribed, the above deregulations applying to expansion as well as new units, the exist broadbanding scheme is continued under which no government clearance is needed for production of new items by existing units : r) the location policy applies only to metropolitan cities : s) units in EOUs and EPZs are delicensed upto investment limit of Rs. 75 crores, later the government announced that only projects above Rs. 200 crores need cabinet committee on economic affairs clearance, the others can be cleared by the industry ministry : and t) such investments are exempted from the convertability clause applicable to financing by financial institutions. The policy was welcomed by the Chambers of Commerce and Industry and trade generally as being a continuation of the policy of liberalisation, as promoting productivity, technological upgradation and competitiveness. But even here, CIE has declared itself against a free market economy. Questions have been raised mainly by economists on a) the free entry upto 40 per cent equity of foreign investment on the grounds that the foreign exchange reserves cannot carry this, and also because of the possibility of foreign (multi — national) control of key sectors : b) the import of capital goods and raw materials upto 30 per cent which will lead to a decline in Indian capital goods industries and raid on the foreign exchange reserves: and c) the sharp rise in investment ceilings for small scale and ancillary units which unless provided with safeguard will lead to large units entering this sector under various benami deals. The government in response states that this is not the full policy which will be set forth later, the policy is for small scale and tiny units for their development and modernisation and c) the proposed exemption from investment licensing for projects below specified cut off levels will apply only to specified units, from which luxury and import intensive goods will be

exceeded. The further elaboration of the policy therefore needs to be followed carefully. Turning to other issues, the trend of deceleration in industrial growth which persisted during the first quarter of 1989-90 changed suddently in the last quarter with the manufacturing growth rate shooting up by 13.9 per cent in January 1990, 13.3 per cent in February, and an incredible 29 per cent in March, giving 1989-90 an industrial growth rate of 8.3 per cent while even February registered only 6.8 per cent. This needs examination. How can there be such a tremendous jump in the last quarter months of the year when the first 3 quarter registered low growth rate of 3.5 per cent (see Vol XX p. 164). Will the policy on capital goods raw materials help? This remains to be seen, even if its cost in foreign exchange reserves are not taken into account. The government reports that in 1990 Rs. 45000 crores of investment are needed for completing 331 public sector projects. The original cost of these projects was Rs. 78,850 crores, but due to time cost delays, their cost has increased to Rs. 90,000 crores. The major part of the cost overruns has been since December 1989 and this will further increase due to their inflationary impact.

Public Sector enterprises

In June there was somewhat contradictory report about public sector units performance. 5 units - NIDC, National Newsprint, Triveni Structurals, Bharat Heavy Plates and Bharat Wagons — report exceeding their April targets, while 4 others have attained theirs. On the other hand, several units — HMT, Hindustan Chemicals, Burns Standard and National Bicycles fell short of their target. This mixed record does not angur well for the year's performance.

National Production Front

SAIL

Four developments are reported in steel. First, SAIL reports a sharp reduction of its inventory from 112 million tonnes in 1982 to 500,000 tonnes in June 1990 due to the easing of steel demand in the first half of the year and meeting customers requirements through its rolling programme and annual production plans. One result is to increase its profitability. Second, steel making and steel rolling units in the small sector are being allowed to expand their capacity by a minimum of 150 per cent alongside of a government decision that no green field site hot rolled, cold rolled coil will be allowed because of the sufficient capacity created, including those under way. Third, SAIL which is the sole supplier of pig iron and which has been reducing its production over the last 2 years has intensified its switch from low value pig iron to higher production steel, aggravating the situation of foundries and other pig iron users. Against the 18 lakh tonnes annual demand, only 10 lakh tonnes was available, all from SAIL and this year it will fall to 6 lakh tonnes. The difference will have to be made up through imports, and as most foundries are small scale units, SAIL will have to continue to canalise imports of pig iron. Fourth, the Planning Commission reports the appointment of Professor R. Sengupta from JNU to undertake an "indepth study to review the long term demand and strategy of supply of iron and steel in India." This is needed to update the data going back

to the NCAER study and later that of the Commission's working group. But this does not get on with the decision to okay the entry of the private sector in the integrated plant area on which basis SAIL's revamp plans are being held up. While the number of plants needed to meet the increasing demand is necessary, the logic of holding back SAIL's plans of modernisation is not clear. These contradiction need to be looked into.

Crude

Crude and gas production seem to be surging forward but their consumption is increasing even faster and the government has decided to close petrol banks on Sundays and allow them to work daily from 7 a. m. to 7 p.m. Through this, it hopes to save about Rs. 850 crores of petrol consumption per year. ONGC reports that it may exceed 31 million tonnes during 1990-91 against the current production of 22 million tonnes due to the increased production in the western region. This should be set against the government forecast of a 16 per cent shortage of petroleum products in 1991-92 if the current level of import at Rs. 6400 crores is indented. Against this backdrop, ONGC's decision to cut its energy consumption by 5 per cent by replacing obsolete equipment by modern ones and using alternate sources of energy is wise. In finalising its annual plan for 1990-91 with an investment outlay of Rs. 2672 crores, it targets a crude production of 33 million tonnes for the year and 27.2 million cubic metres of gas per day which matches its forecast for the year. For the VIII Plan petroleum sector outlay is placed at Rs. 49,000 crores — Rs. 26,086 crores for ONGC, Rs. 1643 crores for OIL, Rs. 5622 crores for Gas Authority, Rs. 8163 crores for refining, and Rs. 7793 crores for marketing. ONGC reports a gas find in Krishna-Godavari in AP. The stretch covers an area of 8 sq km and will add one million cubic metre of hydro carbon reserves. There are 2 consequences that follow. One is that the demand for a southern gas grid now takes on substance and should be acted upon. Second, ONGC has developed a scheme to store gas for further use, conserving gas in the Narimanam area. The scheme involves injection of 1 lakh cubic metres of gas a day in the Narimanam field which produces 2.38 lakh metres per day and which can be used during 1992 in the grid.

Cotton, Sugar, Edible oil

In June, estimate of cotton production for the year continued to vary widely which affects the return to the grower and the export prospects. In March 1990 the cotton advisory board estimated the crop at 122 lakh bales and at its meeting in late May at 127 lakh bales. This should be set against the serious underestimation which has become a habit with the ministry of agriculture. This year cotton exports have been established at 14 lakh bales. To keep up this trend, it is essential that the uncertainity in output caused by the major cotton area — 70 per cent — being dry be corrected by extending irrigation and that the 10 per cent of the farmers who get genetically pure seeds be extended rapidly which Karnataka and Gujarat seed projects can help attain. On the sugar front, the government announced the sugar licensing policy in early June. Licenses for new sugar factories will be issued subject to availability of potential for the development of cane. Further, licenses for downstream units for the use of molasses

including industrial alcohol are to be given freely. The minimum economic size for a factory is 2500 tonnes crushing per day. Preference in licensing is to be given to cooperative and public sector factories. On the edible oil front, June witnessed a continuation of the sharp rise in oil prices brought about by the sudden revelation that the buffer stock with the NDDB is around 70,000 tonnes instead of the 3.5 lakh tonnes. Another factor which pushed up prices is that the import of palmolein has been diverted to the ministry of civil supllies for PDS and current consumption and not to augment the NDDB stock. Now STC is importing 1.02 lakh tonnes of palmolein which should be used to stabilise prices in the lean months of August and September.

Agricultural Production

The foodgrain stocks are reaching 19 million tonnes, as a result of the good rice and wheat procurement referred to in the earlier issues. Wheat procurment has by May end reached 10.3 million tonnes and rice has reached 11.2 million tonne. By July 1 the stock will reach 19 million tonnes against the optimum 21 million tonnes. The main contribution to the wheat procurement have been Punjab, Haryana and UP and to rice by Punjab, UP & AP. In wake of the AP, cyclone, specifications were relaxed for paddy and rice and prices adjusted to meet these conditions. By May 29, 12,000 tonnes of paddy and 27,000 tonnes of rice were purchased under the relaxed conditions. In mid June the government announced the minimum support prices for all kharif crops: rice at Rs. 205 a quintal (Rs. 30 higher), coarse cereals at Rs. 180 a quintal (Rs. 15-25 higher), pulses Rs. 480 a quintal (Rs. 55-80 higher), groundnut Rs. 580 a quintal (Rs. 80—110 higher), soya beans Rs. 350 a quintal (Rs. 30-50 higher), cotton Rs. 620-750 (Rs. 60-100 higher). Food Corporation will be in charge of this operation with NAFED, state cooperative marketing agencies and CCI being responsible for support price operations.

Foreign Trade

The government on basis of DGCI report states that in 1989-90 exports rose to Rs. 27,681.47 crores, up by 36.5 per cent. The good performance were mainly non traditionals chemicals and related products which recorded a 163.9 per cent increase from Rs. 1171.97 crores in April-January 1988-89 to Rs. 2389.92 crores in April-January 1989-90, engineering goods from Rs. 1834.53 crores to Rs. 2590.20 crores a 41 per cent increase during that period, other exports recording increases were agriculture and allied products (57 per cent), plantation (46 per cent), textiles (43 per cent), petroleum products (38 per cent), ores and mines (33 per cent), leather and leather manufactures (28 per cent), handicrafts and carpets (23 per cent) and gems and jewellery (33 per cent). On individual items, marine product exports were Rs. 622.5 crores in 1989-90 compared to Rs. 597.85 crores in 1988-89, garment exports were Rs. 3000 crores in 1989-90 and in the first five months of 1990-91 are Rs. 2022 crores against the year's target of Rs. 3900 crores and jute goods exports rose by 15 per cent in 1989-90 to Rs. 280 crores. DGCI also reports that bulk imports rose by 33 per cent in April - January 1989-90 compared to that period in the previous year, the principal increase being in fertilisers (104 per cent), non ferrous metals (66 per cent), petroleum and petroleum products (46 per cent), iron

and steel (35 per cent), paper and paper board (31 per cent), sugar imports increased from Rs. 0.13 crores to Rs. 97 crores, imports of edible oil, cereals and rubber declined by 77, 38 and 14 per cent, imports of gems and jewellery increased by 32 per cent, import machinery by 33 per cent. It should be noted as pointed out earlier, that DGCI data includes those imports which pass through customs and not the large military imports which are not reckoned in these totals. During June some changes were made in import-export policy: IDBI announced that it is extending its export incentives schemes to import capital goods on concessional duty rates has been extended to include new exporters, as so far it applied only to those who had a 3 year export record; exporters are to be permitted to import second hand machinery against their own earned REP licenses; the policy on import of life saving equipment and spares has been liberalised : 12 changes in the import-export policy in response to representations from trade and industry were announced in June covering conditions of currency balances against exports to rupee payment area, reduced threshold limit for export house recognition, transitional benefits to export houses whose status expires, entitlements of supplementary licenses for imports for a longer period, detailed procedures for blanket advance and licensing scheme and import of capital goods at concessional rate, some further liberalisation for exporters of garments, leather products, zip fastners, books and newsprint. The government has announced that the export target for 1990-91 will be Rs. 36,000 crores. The Financial Express in its issue of June 15 analyses the countrys export performance in relation GDP to show that at the start of the VII Plan the export/GDP ratio was the lowest (between 1976-77 to 1989-90) at 4.15 per cent and it was from this low level that there was a slow and gradual recovery in the following 4 years to 4.24 per cent, 4.73 per cent 5.19 per cent and 6.43 per cent.

Loans and Aid

The Aid India Consortium meeting in Paris in June pledged $6.5 billion to India, of which 40 per cent was concessional loans and the balance commercial ones. Even so it was $ 200 million below last years pledge of $ 6.7 billion. The World Bank announced a loan of $583 million to strengthen the power network in the northern regions and Bombay. The power finance corporation is negotiating with World Bank for a loan of $350 million for financing power projects. ADB is making 5 loans totalling $ 169 million to modernise port and ship repair facilities in Bombay and to construct port facilities in Kakinada. TISCO has been authorised to raise a loan of DM 82 million from a consortium of European banks. SCICI has been permitted to raise a $100 million Euro dollar loan. One of the important and regretful developments is that India has to surrender to the World Bank Rs. 750 crores in unused credits because of its long delays in using bank aid. India's commercial borrowing has declined steeply. The country's external debt which was Rs. 18,400 crores (excluding NRI deposits) in 1980-81 has become Rs. 68,8311 crores in 1988-89 and with NRI deposits which have increased from Rs. 1090 crores in 1981 March and Rs. 14154 crores in March 1989 totals Rs. 82,985 crores in 1988-89. External commercial borrowing including suppliers credit

increased from Rs. 4146 crores in 1980-81 to Rs. 17482 crores in 1988-89 a growth rate of 19.7 per cent per annum. In this situation, the first priority is to use all concessional aid fully and wisely, which is not being done as $15 billion World Bank loan lie unutilised. This is one way to control the mounting external debt burden which the finance minister states has reached Rs. 100,000 crores this year.

International

GATT

One rather important development in the Uruguay round of GATT is the agreement among textiles exporting developing countries to phase out the multi fibre arrangement (MFA) and bring textiles trade under GATT. Their agreed position has been set forth by the International Textiles and Clothing Bureau (IICB) which comprises all the 23 textiles exporting developing countries. In taking this position, India and the developing countries find an ally in EC which also wants MFA phased out and against the position of USA which wants MFA to be replaced by a system of global quotas. There is still a long way to go before the issue be settled and details will not be before the Uruguay round ends. There is the various issues raised by the textile exporters in EC, there is the need to answer the detailed objections by the US which is being pushed into a hard position by its large textiles producers, there is the question of the time period for phasing out, which ITCB has set at 6 years and which may be too short a a time. As far as India is concerned, even if it wins on this issue, the US which has announced that it is not taking action now against India under Super 301, has stated that it will return to this issue of dealing with India's exports to the US after Uruguay round is over. The US will therefore use the closing stages of the Uruguay round to extract the maximum concession from India - holding the threat of Super 301 over its head. Hence what was achieved in June was only a first step to free the textiles trade. On June 8 India made an announcement at GATT offering to reduce its basic import duty by 30 per cent on certain raw materials, intermediates, and capital goods subject to the entire Uruguay round package being acceptable to India. Under this offer, India will be losing Rs. 2000 crores a year in tax income.

World Aid

OECD's Development Assistance Committee report for 1989 states that while total official Development Assistance (ODA) from all sources from 18 industrial countries was $51.3 billion in 1989 which was the same as that in 1988, in real terms it declined by 2 per cent to $46.5 billion. ODA as a share of GNP of the 18 countries which was set as a target at 0.70 per cent in the early seventies, was a low 0.36 per cent in 1988 and declined further to 0.33 per cent in 1989. This was due to the sharp reduction in US share of net disbursement and the delay in contribution to IDA. Norway, Sweden, Denmark and Netherlands being 1.02 per cent and Denmark 1 per cent. The greatest increase in volume is reported by these countries plus Finland, France, Belgium and Germany. Japan has become the largest donor at $9 billion, followed by US at $7.7 billion which was a 27 per cent decline over its aid in 1988. The report

states that net total flows of ODA, other official flows and private sector flows are estimated at $ 109 billion in 1989 against 104 billion in 1988. This means official assistance was a little over 40 per cent of the total resource flows, with the private commercial investment and flows now taking the lead.

World Food

The International Wheat Council has increased its forecast of the 1990-91 World grain crops by 10 million tonnes to 1.398 billion tonnes, mainly because of the good wheat prospects in the US (winter wheat) and South Asia. With consumption growth placed at 2.2 per cent, a small increase (by 7 million tonnes) in world wheat stock is expected at 106 million tonnes. The other grain which is doing well is coarse grain again due to a good US coarse grain crop. Soviet grain production will increase modestly to 215 million tonnes, with substantial imports also forecast.

G-15

The first summit meeting of the Group of 15 developing countries (G-15) (India, Malaysia, Venezuela, Nigeria, Brazil, Zimbabwe, Pakistan, Indonesia, Mexico, Egypt, Iraq, Syria, Iran, Yugoslavia, Morocco) in early June in Kualalampur decided to convert the informal association into an action group to co-ordinate the position of the countries of the South for an effective dialogue with the North-the G-7 — on issues of trade, tariff, development and debt, under the overall direction of the group of 77. The action plan of the G-15 covers the debt problem, subsidisation of farm products by the developed countries, the need for financing environmental protection programmes, the insistance of the US and the west on intellectual property rights and the urgency of restarting the North-South dialogue. On South-South co-operation, it approved the principles of all the 13 projects placed before it by the South-South commission, with immediate action on three, the setting up of south investment, trade and technology data exchange centre, payments arrangement between countries to encourage trade exchanges and the setting up of a forum of business and investment to induce the private sector to take up economic co-operation. It called for launching the second round of global system of trade programmes (GSTP) and decided to ask its representatives to work out a common approach to debt problem and the arriving at a common position at the Uruguay negotiations. There are to be annual meetings of the summit. The next meeting of the summit is to be held in Vanezuela next year.

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II. Agricultural Development in Tamil Nadu

Paddy and other crops

As water from Mettur was not released in mid June, farmers in Thanjavur and Tirunelveli - except for those who have filter point pumpsets have decided to skip kuruvai cultivation. The present storage of Mettur at June end is 14

tmcft against the full storage of 94 tmcft. Farmers have raised kuruvai nurseries in 6500 acres in Mayiladuthurai, Sirkazhi and Valangaiman. Against the normal 4 lake acres, farmers have planted 20,000 acres with kuruvai which will cover 90,000 acres. Farmers will profit from the Rs. 170 crores World Bank aided agricultural development project under which agricultural extension activities will be reorganised, quality seed production will be augmented, forage crops production improved and rural roads and deep valley projects improved. This season a mango crop has been affected by the erratic climate in the state. In place of the normal yield of 1.75 lakh tonnes of mangoes over the 45000 hectares over which it is grown, this year's yield is around 40,000 tonnes. The farmers and mango growers in Dharmapuri which produces 30 per cent of the output and in Chingleput, the yield was less than 30 per cent of last year due to unusual rains and gusty winds. Both domestic supplies and export have been affected. The Rs. 20 crore fruit processing plant coming up at Krishnagiri will help the farmers in evening out of their income between bumper years like last year and a scarce year like the present one. This will also be a major incentive to the farmers who are bringing an additional 30,000 hectares under horticulture, in addition to the existing 1.3 lakh hectares under fruits, 1.4 lakh hectares under vegetables, 1.5 lakh hectare under spices, 1.06 lakh hectares under cashew and 10,000 hectares under flowers. Farmers cultivating fruits are looking forward to the functioning and expansion of the export outlets as well as the processing plants. Concern is being expressed by the state authorities over the reluctance of some farmers to repay the loan instalments due to district cooperative central banks in some districts before the deadline of June 30. They were awaiting the decision of the state government, about the debt relief for those who had taken loans from the cooperative banks. The danger with this situation, is that if the recovery of short term loan by any district co-operative central bank is less than 40 per cent of the demand, it may become ineligible for refinance by the NABARD for the next year. Hence the decision of the state government was appropriate. On June 23, the state government announced its debt relief scheme which applies to farmers, fisherman, animal husbandry persons, those rearing sheep, poultry, artisans, weavers and those in village industries. Under the union government relief scheme, farmers and others who had borrowed from public sector banks and village banks were relieved of their debt upto Rs. 10,000. This amounted in Tamil Nadu to Rs. 180 crores. The state scheme applies to all the above class of persons who have borrowed from cooperative banks. The writing off of Rs. 10,000 for each involves Rs. 320 crores for the state government, which for this purpose will receive a loan of 50 per cent and a repayable loan of the other 50 per cent. The scheme involves a) if a person has arrears over 3 years, his overdues to the bank on October 2, 1989 is written off: b) all loan taken between April 6, 1986 and October 2, 1989 is written off: c) relief is given to borrowers in drought affected areas on production of annavari certificate: d) if the borrower has died or is insolvent he also is eligible. Simultaneously RBI has issued to public sector banks and regional rural banks guidelines which defines the eligible borrower and the purpose for which the loan have been used, to help them implement the union government scheme.

Research results

The reports on research received in June cover that from agricultural college and research institute, Madurai on Bhavani followed by white Ponni and Vaigai as being the ideal variety for rice ratooning, from IRRI, Manila on the advantages of broadcasting wet seed of rice which is both labour saving and low cost technology, from the agricultural research station, Karimnagar on increasing maize output in rabi by cultivating in winter, from APAU, Tirupathy on the 6 steps to be taken to control the leaf mine pest in groundnut, which is similar to the programme advocated by the regional research station, Karnataka, from CCIR, Nagpur on pest monitoring and control measures against the spotted bollworm in cotton plants, from the agricultural college, Baptala on means of detecting toxic symptoms caused by excess molybdenum in plants, from the national pulses research centre, Vellore on means of countering the mites pest which attack chillies, from TNAU Coimbatore on the use of coir pith which experiments showed increased output of sorghum, groundnut, rice and ragi, from Kerala agricultural university on growing the vegetable cum medicinal crop coccinia, from the cotton research centre, Srivilliputtur on techniques for controlling the sesamme shoot webber, from ISR, Lucknow on the various stages of planting and manuring for multiple ratooning, from TNAU on the quick and continuous growing of guinea grass as cattle fodder, from Kerala agricultural university, Vellanikkara on the use of polymines for better germination of seeds in crop plants, from UAS, Bangalore on using the air layering technique for tamarind propagation, from Kerala agricultural university on means of controlling and countering the insect pest threat to banana, from the agricultural research station, Kovilapatti on setting pheromene traps to attract and get rid of pink bollworms, from central tuber crop research institute, Trivandrum on means of countering spider mites in cassava, from UAS Bider on the harvest treatment and method of drying and fumigation to get rid of pests that affect grains in storage, from technological research institute, Anantapur on extracting from tobacco waste important elements for use in pharmaceuticals and fine chemicals, from regional sericulture research station, Salem on means of countering mulberry disease, from horticultural research station, Kodaikanal on the growth of garlic as prolific and profitable spice, in the hills from Kerala agricultural university on the use of Triazoles as fungicide and plant growth regulator. From the veterinary college and research institute, Namakkal on means to be used for preventing repeat breeding in cows, and from veterinary college, Kerala agricultural university on the three preventive measures which have been successfully tried to prevent ringworm infection in cattle.

Fisheries

The Department of fisheries is setting apart 2000 acres of land along the Tamil Nadu coast for prawn culture. The land will be allotted to small, medium and big farmers engaged in pisciculture to raise farms from 2 acres to 500 acres. The goverment announces that it will set up 20 veterinary dispensaries this year in different parts of the state.

Tea

Tea production in 1989-90 is estimated at 650 million kgs, of which

exports were 202.81 million kg which earned Rs. 905 crores. For 1990-91, the target in production is 730 million kgs, exports 280 million kgs, earning Rs. 1050 crores. Production in January-August 1990 was 26 million kg higher than in that period in 1989. Steps are being taken to enlarge some 15 large tea gardens to produce more as well as to identify non traditional areas to be brought under tea production. The aim is to meet the 10-15 per cent growth in domestic tea consumption and to promote a brand image for Indian tea abroad which will be value added.

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III. Industrial Development in Tamil Nadu

ONGC

ONGC reports that it has struck oil in the fourth well at Adiyakkamangalam in Thanjavur district, yielding at the rate of 250 barrel a day. The Commission has proposed a pipeline grid to ferry gas along the coast between Nagapattinam, Cuddalore for effective use of gas from the onland and offshore areas of the cauvery basin. The grid is to be completed in 3 phases. In phase 1, a pipeline connecting Nannilam — Adiyakkamangalam—Narimanam with extension upto Karaikal which should be completed within the first two years of the VIII Plan. In phase II Tirumalaivasal will be connected, — and in phase III Karaikal will be connected and the grid completed. A 198 MW gas based power plant is to come up at Cuddalore using the offshore gas in the pipeline. Also 6 sodium silicate plants using gas as fuel are being set up in the Narimanam area.

BHEL

As reported in earlier issues, BHEL which has an average annual turnover of Rs. 800 crores, has orders for boiler components for Rs. 1740 crores. Its capacity use has already fallen to 65 to 70 per cent. Hence it has taken up a diversification programme for manufacturing components for gas based and nuclear units and also for defence needs. Of the VIII Plan target of 23345 MW for thermal power, BHEL has orders for components for 10345 MW. With the use of gas, these orders, it exports will be expanded.

TNPL—TAMIN and Standard Motors

The Tamil Nadu Newsprint and Papers (TNPL) announces that it is introducing 2 new value added—products photocopy paper and pink newsprint. This is part of its diversification programme. In 1989-90. TNPL exceeded its installed capacity of 90,000 tonnes and earned a profit of Rs. 30 crores. At this rate it hopes to wipe out its accumulated loss of Rs. 49 crores by the end of 1990. This is good news and is encouraging, for on the success of this plant, many other similar plants are to be established. The World Bank also has a heavy stake in it and its plan for an enlarged 2 lakh tonnes capacity plant. The Tamil Nadu Minerals (TAMIN) which is a successful export oriented unit, is now caught in a labour dispute, and has stopped opera-

tion for 6 months. It is losing Rs. 4.5 crores per month and will soon get on the sick list. The Union Ministry of Labour to whom the deadlock has been referred should speedily settle the matter. On Standard Motors, the BIFR package of Rs. 23.2 crores for its revival has not been accepted by the state government which refuses to contribute its share of Rs. 3.02 crores, by the management which offers to contribute only 58 per cent of the required Rs. 4 crores or IOB which wants a consortium of banks to be formed to make its contribution. So BIFR has ordered the company to be liquidated unless a new promoter comes forward. There is no market for the car and so the unit should be sold and certainly not nationalised or kept alive artificially.

TN Agro Industries and SIDBI

The Tamil Nadu Agro Industries Corporation, with the help of the Central Food Research Institute, Madras is modernising its sunflower oil complex at Pochampalli. With the modernisation, oil and expeller for exports will be produced at the factory. For this a Rs. 35 lakh boiler is being installed. The plant with a production capacity of 12000 tonnes of oil, is producing 4500 tonnes annually. The plant is meeting the demand of the southern districts which is rising rapidily calling for the installation of further units. In regard to SIDBI, the want of orders that BHEL faces impinges on its auxiliary units which are turning sick for lack of orders from the upstream unit. So this group of (ancillary) industries is the first batch of industries which has been selected by the newly formed Small Industries Development Bank of India (SIDBI) for rehabilitation. The shrinking of orders faced by the ancillaries began when BHEL shifted some of its divisions to Ranipet. So their orders shrunk, profits fell and the entrepreneurs began competition among themselves. It is at this point, that SIDBI entered the scene and as a first step brought home to the entrepreneurs that they were facing a common problem of inadequate demand, which in turn arose from lack of diversification, calling for a common approach. The outcome was the BHEL Industries Development and Service Society (BIDASS) to identify potential markets, and buy raw materials in bulk for all its members, with Rs. 18 lakh from IDBI and SBI. On this basis SIDBI has launched the cluster approach for helping small units on the basis of geographical concentration of units. SIDBI plans similar programmes for manufacturing units at Sathur, hosiery units at Tirupur and locks at Dindigul. The elimination of the middlemen alone helps boost their sales and profits by 8-10 per cent. Another outcome is the establishment of the services support system which makes available technical, financial and marketing experts to small entrepreneurs.

SIMA and TVS

In view of the vast export potential available in the international market, SIMA has suggested to the union government to remove the ceiling on export of cotton yarn. For the current year the ceiling is 40 million kg and its removal will result in cascading benefits for both the spinning sector and to the country leading to increased use of the existing spinning capacity, higher employment without additional investment, better prices for cotton growers and more foreign exchange earning. If the handloom sector yarn need is fully met, the suggestion should

be acted upon. TVS reports that in collaboration with a West German company it is setting up a Rs. 1.5 crore plant for the manufacture and distribution of life saving products in the field of orthopaedics and traumotology. The project called the Hug Medical Private Ltd. will have an equity of Rs. 50 lakhs, of which 40 per cent will be contributed by the Western German firm and the balance by TVS. The product has a large export market and enquiries for it has already been received from Korea, Singapore and Taiwan.

Cement, Arooran Sugars, Talamari Industrial Estate and Kothari's

Cement units in the state are in a precarious position because their coal stock has fallen to 3 to 10 days supply in June. Two factories have already closed one kiln each. This is intolerable, as cement is in short supply and the cement commissioner should take urgent action to meet this crisis situation. Arooran sugars announces that it is diversifying its production into chemicals and processing industries,starting with a plant to manufacture acitic acid and acitic anhydrate, using its alcohol allotment. The cost of the new production facility is Rs. 17 crores. Further it is setting up a new sugar plant to reduce production costs by increasing sugar extraction, also using a new high pressure boiler capable of substantial saving in bagasse. Its surplus bagasse will be lifted by TNPL, while the company itself is planning cogeneration of power from bagasse. The management is one of the innovative forward looking ones in the state. On the Industrial Estate front, the Annamalai University Engineering Technology Alumini Association is making history in setting up an industrial estate project. The project is on an 80 acre plot in Talamari near Avadi. In the first phase of the project, 75 industrial units, including the manufacture of cork products, fibre glass, reinforced plastics, filter presses, electronics and medical equipment-are being established. It will provide employment for 2500 - 3000 persons. Kothari Industrial Corporation announces its plan for diversification into new export lines — granite, leather and computers. It is investing Rs. 40 crores over the diversification for the next 3 years. It has also set up the 100 per cent export oriented unit for producing granite monument which is coming up at Ennore at a cost of Rs. 8 crore. Kothari General Foods (KGF) which is heavily debt ridden is accepting the BIFR solution under which Brooke Bond will acquire controlling interest in KGF. By going through BIFR, procedures can be reduced to the minimum and the transfer facilitated. Here is a case of a sick industry being rehabilitated without government or public sector funds being involved.

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IV. Education, Science and Health

Educational reforms

There has been a somewhat barren controversy over a government order which first liberalised permission for opening additional English medium sections from the VI Standard onward involving collecting fees on a graded

basis. Later this was amended to limit its application only to aided schools and not to government or corporation schools. The state government announced in June the setting up of a separate Directorate of Teacher Education, Research and Training to restructure and reorganise teacher education in the state. Perhaps there is a case for this proliferation of school directorates to meet the increasing specialisations, but then there is need for an overall authority to coordinate, oversee and direct the whole system and that cannot be Ministry or Department of education which is manned by non professionals. The union education ministry announced that it is setting up neighbourhood schools, (recommended way back by the Kothari Commission in 1966) as one means of bringing an element of educational equality in the school system, under which some of the better staffed and equipped schools will take under their wings the schools in the neighbourhood not so equipped. The state government announced in June a new scheme of free education to the first generation of backward class students whose parental income is below Rs. 12,000. Under this scheme, those eligible students will be exempted from paying tuition and examination fees, both in schools and colleges. School final examinations have been published—the CBSE results show a lower rate of passes this year at 78 per cent compared to last year's 86 per cent, probably due to the new syllabus. In the AISLC, girls fared better at 90, as they did in the matriculation at 91 per cent compared to 78 per cent and 86 per cent for boys. To mark this year which is the year of the Girl Child both the state and union governments are taking action to reduce the drop out rate among girls. In the state the scheme launched called the foster parent scheme envisages a person adopting girls studying 1 to VIII paying their parents Rs. 250 a year as an inducement to allow the girl to stay in school. The union's scheme embarks on a major programme of vocational education for girls to reduce dropout rates among them and assure them of employment. Further in the state's noon meal scheme, children who are vegetarians and do not eat eggs are to be given a specially prepared laddu made by the Tamil Nadu Integrated Nutrition Project. The modern science and technology centre opened at Kotturpuram in the city has three major galleries on physical sciences, electronics, communication and transport that makes science popular and a delight to the young and old. At the higher education level, UGC in a circular to the universities has asked them to consolidate their existing programmes rather than open new departments which will be decided in light of the existing infrastructure in the region and on the manpower needs. New specialised courses should be interdisciplinary, to be sustained by existing facilities in the developed universities. The universities have been asked to give priority to strengthening existing post graduate departments in terms of laboratories, workshops and library. A study team of the Administrative Staff College has recommended that UGC should set up 4 or more regional offices which should have the authority to disburse all grants to universities and colleges. The study has recommended the restructuring of the central office and its staffing and designations. The government has nominated the Madras University as the nodal agency for conducting state level recruitment tests for appointment of lecturers in colleges and universities. It has directed that 10 per cent of B.Com and B.A. (corporate secretaryship)

courses should be reserved for plus two vocational stream students. A group of industries—Chromeplat, Indochem Electronics, KCP, Loyal textile mills, Rane Pradeep Drugs and Arooran Sugars—have joined to establish the Academy for Promotion of Excellence (APEX) using the Madras University Institute of Correspondence courses plus several other capsule subjects as adjuncts to transfer the average B.Com. and B. A. (Economics) aspirant into a highly motivated and trained graduate who can find his way in life. The capsule courses include communication skills, personality development, marketing financial analysis, productivity and computer aided quantitative analysis. This is a commendable effort and should be duplicated in many other centres and disciplines. This may be linked to the proposals being considered by the union ministry of education to encourage private enterprises to take a more active part in higher education. A bank, to be called Educational Finance Bank is being proposed as a source of finance for this if the private sector is willing to enter this area. The state government can also borrow from the Bank to expand the base of higher education. This would relieve the pressure on the governments educational finances which could be diverted to primary education.

Satellite

Insat-I was launched on June 12 from Cape Canaveral and ISRO reports that all deployments of INSAT-ID are complete and successful. The satellite will enable Doordarshan to link up small transmitting centres in states beyond AP, Maharashtra and Tamil Nadu. It will be used by the meteorological department on weather data and by IRS to map the country's resources. ISRO reports that it has submitted a comprehensive proposal to the International Maritime Satellite Organisation (IMM ARSAT) for building third generation IMMARSAT Satellite, in which India is technologically capable of participating.

Literacy

As 1990 is the UN declared international Literacy Year, literacy programmes are under way in all parts of the country. In this state, the Education minister has proposed that it should be made obligatory for every undergraduate to teach 60 illiterates before completing the degree course and 30 illiterates for post graduate students. If this were done, the state could achieve 100 per cent literacy by 1995. These important suggestions should now be translated into action. Pondicherry reports a very good response to the literacy drive in that state. The programme there is called Puduvai Arivoli Iyakkam and aims to cover 1.5 lakh illiterate people in the state by the end of the year. Meanwhile due to shortage of funds, the union ministry is considering the disastrous cause of reducing the size of the National Literacy Mission. Centres are to be reduced from 300 to 100 and the placing beyond 1995 of the target of imparting functional literacy to 80 million illiterate in the 18-35 age group. There was in June a 4 day meeting of the SAARC countries on literacy in which the progress of the literacy programme in the 7 countries were reviewed and plans adopted for attaining the target of 100 per cent literacy by the end of the decade.

Technical education

The state government announced in June that there will be no more ITIs

sanctioned in the private sector during 1990-91, because of the deficiencies in the provision of equipment and infrastructure in the private PTIs. The Directorate of Technical Education states that it has developed a suitable application software for use in employment exchanges in Tiruchi, Coimbatore and Madras. If this computerisation can ensure that requests for lists of qualified candidate are attended to promptly and not with a delay as at present of 6 months to 2 years, it would be an effective move. The government is engaged in a conflict with a private self financing engineering college in Vellore and has started a government engineering college there as a result. The situation is rather messy and needs some study and attention. Anna University which is responsible for holding the state's entrance examination for professional education reports that the number of application has increased by nearly 3000 to over 30,0000 this year. The union ministry of human resources development states that it has accorded recognition to 6 courses for purpose of employment to posts and services under the union government. The courses are the 4 year diploma courses in tool and die making in Punjab, the 2 year full time PG diploma courses in management at Manipal, Diploma offered by NE Reginol Institute of Science & Technology in agriculture and civil engineering, computer science, electrical and electronics and mechanical engineering, and forests, the 1 1/2 year post polytechnic diploma course in computer application, the 3 year full time PG diploma in computer application by Institute of Management Technology, Ghaziabad, and 4 year diploma in tool, dye making of the Central Tool Room and Training Centers, Calcutta.

Science

The International Council of Scientific Unions (JCSU) has drawn up a working plan to ensure the free access to scientific data and information and the right and freedom of scientists to associate in international scientific activity without regard to citizenship, religion, creed, political stance, ethnic origin, race, colour, language, age or sex. Against discriminations which hinders the free communication and exchange of ideas among scientists which blocks the progress of science which depends on their collective efforts. ICSU seeks to project and promote awareness of the rights and fundamental freedoms of scientists in their scientific pursuits. IIT, Madras reports that it has developed a Power System Stimulator (PSS) which can evolve normal operating procedures like generation and voltage scheduling and also emergency procedures under abnormal operating conditions like system operation and restoration. INSAT-ID whose successful launching on June 12 was earlier referred to, on June 17 was commanded by the Master Control facility scientists to deploy all its five solar panels, which it did.

Health

The Madras Corporation reports a 40 per cent increase in the incidence of malaria in the city in the first five months of this year, at 10,000 cases till May this year against 7200 cases till May 1989. Hence the government announced in June a 7 point action Plan to control the breeding of mosquitoes in sewers and other places where water stagnates and so eventually to eradicate it. The state government reports that it is readying itself to launch the second phase of the Integrated Nutritious

Project with World Bank aid for which a fullfledged communications and training centre has been built. This Rs. 350 crores project will over 5 years help the communication and training of field staff and community representatives. The first phase of the project showed that major constraints in improving the nutrition status of children and pregnant mothers are traditional beliefs, prejudices and lack of sound nutrition practices and poor intra family food distribution. They are to be countered through community participation in the second phase through training of village based groups and building in a communications and training component which will be the main responsibility of the Rs. 7 lakhs communications and training centre.

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V. Employment and Labour Relations

The main and major emphasis in the Eighth Five Year Plan is employment through the new policies to be pursued in agriculture and allied activities, in small and tiny industries, and other non farm employment avenues. The detailed plans on this are being worked out. To start with, the Planning Commission has got all states to adopt the proposal to achieve levels of "zero underemployment" and "zero illiteracy" in atleast one district each during the current year. For this funds have been earmarked in the first year of the Plan 1990-91. The government announced in June that the National Commission on Rural Labour has been reconstituted which C.H. Hanumanthappa as chairman and 3 MPs — Gurudas Dasgupta, Hanumanthappa and P.K. Kunjachan and P.C. Joshi, Pradhan Prasad and S.V. Krisbna as members. The Commission has an important task in relation to dealing unemployment and underemployment of rural labour in the unorganised sector in which most of them function.

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VI. Other Items

CDS

A meeting of the Committee of Direction of the Centre for Development Studies, Trivandrum was held in early June. It received the report of the Investigating Committee into the loss of Rs. 10 lakhs suffered by the library. After reviewing the report's findings, the committee decided on the penalties to be imposed on the 3 staff members concerned and asked that they be notified on this matter to this effect.

AIR and evaluation of literacy

AIR organised a round table discussion on our duties as citizen and intellectuals in this International Literacy

Year. There was general agreement that there is a serious responsibility on each of us educated persons to make illiterate persons literate and plans to do so during the year were reviewed and discussed. There was a review of the work programme of the literacy evaluation cell located in MIDS. After the review of the work for the first 4 months in relation to the Coimbatore +2 schools it was decided to broaden their evaluation survey to cover colleges, universities as well as +2 schools in all university and college centres and to complete the work during this academic year.

Union Planning Commission

There was a meeting of economists called together by the Union Planning Commission at which the Approach Paper for the VIII Plan was reviewed. The Economists generally endorsed and strongly supported the major elements of the Paper — Employment, Rural Development and Decentralization. The means of attaining these important objectives and some of the contrary activities and decisions of the ministries were particularly reviewed. More information on the alternative model proposed by the Paper was requested in light of which the economists would further advise the government.

TNSCS & T

The Tamil Nadu State Council for Science and Technology had 2 events in June. One was a meeting of a selection committee that it had set up, which after interviewing some 20 candidates, selected 1 senior scientific officer in the physical sciences, 1 senior scientific officer in the social sciences, 1 system analyst and 1 scientific officer each in biological sciences, ecological sciences and social sciences. The second event was a meeting of the executive committee which reviewed the ongoing projects, approved 4 new projects and travel grants to 6 young scientists. It decided that the Council should establish the thrust areas for science and technology in Tamil Nadu and for this a workshop should be called. It also decided that the two manuscripts on the state of engineering sciences and social sciences should be finalised and published soon. It approved the recommendation of the selection committee for the appointment of 2 senior scientific officers, 3 scientific officers and 1 system analyst. It noted that there were no qualified candidates for the post of computer programmer.

IIC

The India International Centre organised its monthly panel discussion on individual industries. In mid June the panel discussion was on chemicals, petrochemicals and POL. It was agreed that this area is of great and expanding importance to the economy. The exhaustion of POL resources called urgently for a programme of conservation. There was on the next day the second seminar for the year. The subject of this seminar was liberalisation and Privatisation. The seminar was attended by 47 specialised export personnel. In the 35 interventions made, there was a division of opinion between those who supported the two developments—liberalisation and privatisation both as a means of making economy more efficient and competitive and as a means of joining the world stream. The oponents felt that it was important that the programme of self reliance and import substitution should

be pursued, as otherwise liberalisation and privatisation will distort our priorities and lead to multinationals entering the economy and entering the area of consumer durables catering to elite consumption. The two sides stated their positions clearly and agreed that this kind of consultation and discussion need to be pursued.

First Article

A paper on Agriculture as Industry by M. G. Devasahayam along with the summary of Discussion on the paper appears as the first article.

Second Article

A note on Rural Development appears as the second article.

M I D S News

Dr. Nasir Tyabji attended a workshop on "The Contemporary State in India" in New Delhi between July 20-21, 1991. His presentation was on the relationship between the Changes in Eastern Europe and the recent positions of the Indian State in international negotiations on development issues.

Dr. Paul P. Appasamy gave a lecture on "The Urban Environment of Madras" and Dr Padmini Swaminathan on "Some issues relating to Gender in India" on July 26 to a group of Canadian students. The programme was organised by the Shastri Indo-Canadian Institute. The group of 20 Canadian students led by P.N. Malik, Administrative Director, Shastri Indo-Canadian Institute, visited the Institute on July 27 and interacted with our faculty and scholars.

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Dr. Padmini Swaminathan attended a workshop on "Society & Legitimacy" organised at ASRC, Osmania University, Hyderabad on August 10 and 11.

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Mr. S. Subramanian gave a seminar on "Basic Needs, Positive Freedom, and the Possibility of Rights - Respecting Social Choice Function under Domain Restriction" at the Indian Statistical Institute (Delhi) on August 8 (joint net-work with Dr. Arunava Sen of ISI).

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Agriculture as Industry ?

by

Mr. M. G. Devasahayam IAS (Retd.)

1.0 Introduction

The subject of treating Agriculture as or at par with industry conjures up different ideas in the minds of different people. Those with left leanings argue, that because marginal and small holdings cannot be efficiently managed, these should be pooled together for joint farming — a la Soviet model. Free enterprisers, on the other hand, using the same argument of inefficiency of small scale farming, plead that private Corporation be allowed entry in the farm sector to establish large-scale, heavily-capitalised, production - cum - processing units, particularly for boosting agricultural exports. These extreme views should be rejected straight away, because if implemented, both will turn farm workers into robots in the hands of managers. Also, we have seen in recent years, faster economic growth alone does not necessarily uplift the common man. If the aim is to develop human beings, and not merely to increase the gross domestic product of the country, small farmers should be made more productive, instead of subjecting them to dehumanising systems, which have also not proved to be more productive.

Exact duplication of all the rules and regulations governing the industrial sector for the farm sector is neither necessary, nor desirable, because there are undeniably certain differences in the nature of agricultural and industrial production, which cannot be removed or over looked. First, the source of energy for production in agriculture is sunlight, which cannot be altered in intensity, and is available only during day-time, where as in industry, energy is under human control, available non-stop in any measure. Hence, production processes in industry can be considerably speeded up, while it is not possible to do so in agriculture. Secondly, agricultural growth takes place under open skies, and therefore is more subject to vagaries of nature, or risks. And thirdly, in India, the units of production in agriculture are so small (average holding being only 1.53 hecs) that they

cannot take advantage of the economy of size. A small size holding is capable of giving high yields per hectare, but not at lesser cost. Also, average farmer in India is too poor and ignorant to be able to cope with all the rules and regulations, governing the industrial sector.

1.1 State Policies More Decisive than Nature

Besides the three main natural differences briefly stated above, which cannot be wished away, there are a number of others, which man-made, or state imposed, which have proved far more damaging to the farm sector than the natural ones, and which can be removed if the state so decides. World-wise experience has shown, that government policies play a far more decisive role than nature in determining the level of productivity in any particular country.

Sometimes, spectacular growth rates in agriculture have been recorded in the same country, after state imposed constraints on it, have been removed. This had happened in China, where after the death of Mao-Tse-Tung, farmers, freedom to sell their produce in open markets was restored after a small portion of it, called the "quota" had been delivered to the state. The price of "quota portion was also raised by 20% in one jump. After the introduction of these reforms, grain production in China had increased by 33% between 1978 and 1986, inspite of 4% reduction in the area under cultivation. The change to market oriented agriculture had also doubled oilseeds production. The increases in output and efficiency translated into higher rural incomes, which grew in eight years, as much as during the preceeding thirty years. Agricultural developments in Poland and Hungary also prove, that farmer's freedom to sell is more important for agricultural growth than even ownership of land. After experimenting with the Soviet type of collective farming, both Poland and Hungary have reverted to individual, or small-group farming. In doing so, peasants in Poland were given the ownership of land, but were required to sell their produce at prices fixed by the Government. In Hungary, on the other hand, ownership of land was retained by the state, but freedom to grow crops and sell those in the open market was restored to farmers. The result is that now Hungary produces two-third more grain per hectare than Poland. In India, we have tended to follow the example of Poland. Here ownership of land rests with farmers, but their freedom to sell is under constraint.

1.2 Investment in Agriculture More Rewarding

Before pointing out the differences in the attitude of the state towards agriculture and industry, one socio-economic aspect of the agriculture versus industry controversy needs to be pointed out. Agriculture has always given higher return on equal capital investment. According to Dr. P. D. Ojha, Deputy Governor of Reserve Bank of India (reported in January '89 issue of R.B.I. Bulletin) the incremental capital output ratios (I.C.O.R) in agriculture and manufacturing were as follows, during the different stages of development

	I. C. O. R.	
	Agriculture	Manufacturing
First stage 1950-51 to 59-60	2.18	4.47
Second stage 1970-71 to 79-80	4.22	8.22
Third stage 1980-81 to 83-84	3.17	14.36

From these I.C.O.R. figures, it is evident, that if instead of starving agriculture of capital, its due share had been provided, the increase in our national income since 1950-51 would have been, through pursuit of a pro-industry policy.

The employment generating capacity of industrial sector has also been found insignificant. Between 1983 and 1988 both the organised public and private sectors, could provide new employment to only 17.0 lac persons, or 3.40 lac persons per year, whereas the number of new entrants to the job market, every year, is atleast 16 times more. Also, larger investment in agriculture, would have benefitted the poorest three-fourth of our population living in villages, and not the upper crust of the society, as heavy investment in industry has done. From whatever angle-social justice, income, or employment generation — one looks at the development strategy, which has been pursued so far, it is found to have been against the larger national interest.

1.3 Indian Agriculture— Capital Starved

Agriculture in India is still very backward. Its productivity is amongst the lowest in the world — no more than two-third of the rest-of-the-world average. This is so, because its capital needs have not been met. From the II to VII Plans, total expenditure on agriculture, rural development and irrigation etc. has always been less than 24% of the total plan expenditure. While the Government has been niggardly allocating its own funds for creating the necessary infrastructure for agricultural growth, continuing adverse terms of trade, due to biased attitude of our decision makers, have prevented investments for on-farm improvements by farmers themselves.

Rural and urban interests cannot and should not be separated but it has first to be admitted, that rural masses have been unfairly treated, and denied their due share in national resources. Even in expenditure per capita on education and medicare rural people have been treated as inferior citizens of the country. The consequence is, that even now, in rural areas illiteracy, death and infant mortality rates are higher by 94.6, 68.8 and 75.4 per cent respectively, than the corresponding figures in urban India. In institutional credit, and power supply too, share of agriculture has been no more than one-sixth and one-fifth respectively of the total.

1.4 Attitudinal Differences between Industry and Agriculture

The biased attitude of the governments is evident from the contrast in treatment accorded to industry and agriculture, which is presented below :

1.4.1 Prices

Prices of most industrial products are fixed by producers themselves. In certain cases, in which government regulates prices, the producers are given full opportunity to represent their cases.

In case of farm products, government unilaterally determines the price, and enforces it by imposing restrictions on movement, processing, trade and import-export decisions. In the past, on many occassions, farm products have been imported at higher costs, not to meet any deficiency in the country, but only to depress farm prices indomestic markets.

1.4.2 Domestic Trade

Industrialists are allowed to sell their produce to consumers, mostly through their own agencies. There is no restriction on stock holding, or value adding to products. Credit is easily available to them, at reasonable terms on pledging of their stocks.

On the other hand, agriculturists have no direct access to consumers. Restrictions are imposed on stock-holding by traders. Farmers are not allowed to convert their paddy into rice, without paying levy. Credit facility on pledging of stocks, if at all available, is on very unreasonable terms.

1.4.3 Foreign Trade

Producers of industrial goods are encouraged to export their produce by providing them a number of concessions, and subsidies. The benefits of export accrue to them. Modern machines and even turn-key plants are allowed to be imported to improve their productivity. They are also fully protected from foreign competition.

Exports of farm products are strictly regulated, mostly channelized through state agencies. Instead of providing subsidy, export duties are levied on export of certain farm products. Though there is ample scope to step up exports of our farm products, government has pursued such policies which thwarted exports and made available these farm products such as cotton etc. at less than International Prices to the manufacturers. Benefits of export of farm products accrue either to state agencies, or to favour traders, but never farmers. They are also exposed to unfair foreign competition by sale in domestic markets of imported farm products, which are doubly subsidised, once by the government of the country of origin, and again by our own. Import of farm machines and other inputs are either not allowed, or burdened with heavy import duties, though with their use, higher productivity at lower cost is possible.

1.4.4 Institutional frame work for financing

Institutional set up for agricultural development is weak and is tuned to subsistence farming. For industry there are professional and specialised funding institutions at the Central and State levels such as IDBI, IFCI, Risk Capital and Foundation, State Industrial Development, financing and infrastructure development corporations. For agriculture, there are no such institutional support. There are none at the State government level and NABARD at the national level is no patch on the professional functioning of the industria funding institutions. The outcome is that only 17% of total bank credit was made available to agricultural sector which is contributing nearly 1/3rd of the National Income, while 36% of total bank credit is going to the industrial sector whose share in the National Income is less than 20%.

1.4.5 Credit and Funding

Funding and lending norms in agriculture are very restrictive in nature and there are no schemes or programmes for treating and promoting agriculture as a commercial/business activity as is being done in industry. More specifically these restrictions are :

i. In industry land is considered as promoter's contribution whereas in

agriculture it is not so. The farmer-promoter will have to provide for margin in respect of well digging, irrigation system and other development work. Therefore, a farmer or an Agricultural Entrepreneur (AE) who purchases land or wants to develop his own land for commercial farming will have to invest 70 to 75% of the total project cost from his own funds whereas an Industrial Entrepreneur (IE) starting an industry is required to provide only 15 to 25% of the total project cost from his own funds.

ii. Modern equipment and devices in agriculture like sprinkler systems, drip irrigation systems, sheds, structures and other development of land are not accepted as security by the financial institutions. The bankers take into consideration only the cost of land and insist on 150% of the loan by way of security. The farmer or the AE are required to provide collateral security of his personal properties. This is a severe constraint towards professional farming. This does not happen in industry wherein land, building and machinery are taken as security at actual value and an IE is normally not expected to give collateral security.

iii. Funding agriculture by banks and financial institutions like NABARD are governed by artificial and totally unrealistic norms. For instance, NABARD has a ceiling of Rs. 20,000 for a open well, whereas a well could cost anything up to Rs. 1,00,000 depending on the land and the water potential. Allocation of funds for internal road formation and equipment sheds is also very limited. In a dairy project, NABARD permits only Rs. 25 per sq. ft. for construction of cattleshed whereas an AC sheet roofed shed will cost around Rs.90 to 100 per sq. ft.

In industry, on the other hand, banks and institutions go by the estimate of the entrepreneur supported by values and extend credit at actuals.

iv. Agricultural funding is subjected to archaic procedures and substantial delays. Verification of loan proposal is done at several levels each raising pointless and repetitive queries. Even a small loan takes several months to sanction by which time, couple of crop seasons pass by.

1.5 Infrastructure

1.5.1 Water

Irrigation water is the most basic requirement for agriculture. The nation as yet has no water management policy or system to harness available sources and ensure optimum utilisation. The approach of planners and policy makers has been to direct agricultural operations to suit the irrigation systems and not the other way round. Hardly any efforts have been made towards research and development of local, mini/micro irrigation sources and on field irrigation engineering aimed towards conservation and optimum utilisation of water.

1.5.2 Power

When natural irrigation systems are not available, underground waters are to be tapped and for this, power is critical. As of now, power generation schemes and programmes by and large are tailored for urban and industrial usage with only the residuary reaching the rural/agricultural sector which is grossly inadequate. Tapping of underground water and non-conventional energy is at best perfunctory. The result is that 'mers have to wait for years to get a

tube well power connection and rural power supply is extremely patchy and erratic.

1.5.3 Storage and Preservation

India which boasts of hi-tech, planning to "enter the 21st century" does not have a satisfactory storage and preservation system for agricultural products. The result is large scale spoilage and wastage of farm products, on the one hand and weakening of the bargaining capacity of farmers vis-a-vis traders on the other.

1.5.4 Transportation

Transportation is one of the major bottlenecks inhibiting growth of agriculture on modern lines. Efficient low cost transportation is an essential requirement for agricultural development more than that of industry since agricultural production by necessity is widely dispersed. Farms must spread out all over the countryside to use the sunshine, the soil and other climatic conditions that will support crop growth wherever they are found. A corresponding widespread transportation network is needed to bring supplies and equipment to each farm and to take products from farms to consumers in the towns and cities. Furthermore, to provide favourable incentives to farmers, transportation must be as inexpensive as possible. Yet, while industry has the advantage of proximity to the market place and fairly good transportation facilities, agriculture which is far removed from market place is further isolated due to a very poor network of rural transport and communication facilities.

1.6 Essential Inputs

Poor rural transportation facilities coupled with inadequate extension/ distribution net work has led to critical farm inputs like seed, fertilizer, pesticide, implements etc, not reaching far flung areas of the country. Even where these inputs are available their quality, particularly of seeds and implements leaves much to be desired.

1.7 Ceiling on size of operations

Practically there is no ceiling on non-farm assets, holdings, and incomes. Even on urban land, there is, in effect, no ceiling, though land is far more scarce in cities than in villages, and where homelessness is far more acute than landlessness in villages. In fact, there is no acceptable norm of social justice, or even a national policy on incomes and prices.

1.8 Adverse Profitability and terms of Trade

It is these differences in treatment, which have resulted in increasingly adverse terms of trade for agriculture, and declines in profitability of most as shown in Table 1 and 2.

Declines in profitability have led to decline in investments in agriculture. S. L. Betty in his paper 'Investment in Agriculture' has said "Looking at the CSO's estimates, whatever yardstick we may adopt from whatever angle we view it, investment in agriculture-both in the public and private sectors-has suffered a distinct loss in momentum during the 1980s as compared with the previous decades.

1.9 Declining growth rate (E.P.W Feb. 17-24, 1990)

This, in turn, is responsible for declining growth rates in food grain production on the basis of quinquennium average as shown below :

Quinquennium	Quinquennium Average production of Food grains	Average Annual compound growth rate, compared with the average of the previous quinquennium
1965-70	87.1	——
1970-75	103.02	3.44
1975-80	120.04	3.11
1980-95	138.06	2.84
1985-90	155.19	2.37

(Assuming prduoction in 1989-90 is 171.5 M. Tons)*.

*According to the latest Economic Survey, our Foodgrains production in 1989-90 will be between 170-183 M. Tons.

TABLE-1

Indices of Terms of Trade (Prices received by farmer/Prices paid by farmer x100)

(Triennium ending 1971-72-100)

Year	Terms of Trade (Prices received by farmer/prices paid by farmer x 100
1983-84	86.3
1984-85	86.0
1985-86 (P)	82.3
1986-87 (P)	81.9

P - Provisional
(Source : Report of the Commission for Agril Costs & Prices on Prices Policy for Kharif crops of 1988-89 season)

TABLE-2

Reduced Profitability in Crop Production

Crop	Compound growth rate of profitability in per cent
Paddy	—1.6
Wheat	—1.5
Jowar	—2.5
Bajra	—1.9
Maize	—9.0
Gram	—5.3
Groundnut	—0.6
Jute	—4.5

(Sources : Methology for simultaneous Determination of Factor Product Prices of Crops-produced by I. A. R. I.,New Delhi

1.10 Poor Linkage and Diversification

Another major disadvantage for agriculture in India is its poor linkage effect. Indian Agriculture stands condemned in the county due to its lack of direct stimulous to the setting up new activities, for value addition through linkage affects and diversification. Agriculture lacks the thrust effect of backward and forward integration which is a hall mark of industry. In addition to the factors mentioned above this is also due to the poor and subsistance nature of agriculture with little of scientific and technological base and application.

2.0 Agriculture as Industry — Policy Imperatives

2.1 The cumulative effect of all the above disadvantages is that agriculture in India is today perceived to be inferior to industry. Even those who practice agriculture as a full time occupation believe that their vocation is inferior to that of manufacturing or trading sector. Barring a microscopic minority of rich and affluent farmers, those who pursue agriculture and labour in that sector has a lower economic and social status. This has severely inhibited rural folks from putting their heart and soul into the profession and educated from taking to farming either as wage employment or self occupation. They throng to the urban centres in search of more 'respectable' jobs in manufacturing, trading, government and service sectors, abandoning in the process, their productive land to rot and fallow. This is the tragedy of Indian agriculture today. This distressing situation can be remedied only through conscentious, concerted and concrete action to pull Indian agriculture from the subsistance level to a viable economic activity.

2.2 Government in the Centre and States should make a deliberate policy choice in favour of commercial/industrial farming by allowing and encouraging the progressive cultivator to reap the full rewards of his enterprise and labour, while appropaching the fundamental issue of equality and institutional reform from a different angle and by different policy means. In order to bring about transformation of agriculture into a economic/commercial activity there need to be a rethinking on agriculture and land reform policies which has so far used the size of agricultural holdings as basic criterion. Instead the criterion of functional use of land as substitute should be adopted. Ownership of land and size of holdings per se should not be regarded as evil if it provides genuine gains in efficiency, productivity and employment opportunities. Functional tests of efficiency and of genuine work participation would be far preferable to the static test of size of holdings. The development of a genuinely commercial system of production must be designed in such a way that the land-owners are encouraged to become cultivators, atleast in the sense of becoming genuine agricultural entrepreneurs.

2.3 Institutional set up for the development of agriculture should be totally revamped and oriented towards economic farming in the marginal and small farm and commercial / industrial farming in the medium or large farms. In each state, must be constituted an Agricultural investment/Finance Corporation in line with that of industrial investment/ finance corporation. These institutions must have a sound fund base and must be charged with the responsibility of financing and supporting agriculture on commercial lines. At the central level there must be atleast two apex funding institutions which would undertake both

original and refinancing economic and commercial ventures in agriculture, agro-processing and agro-industries. Agriculture for this purpose would extend to crops, horticulture, fishery and animal products.

2.4 Norms and schemes for funding agriculture and allied activities should be on the same lines as that of industry. There should be no artificial limit or ceiling for any activity and funding should be on actual and need based basis. Farmers and agricultural entrepreneurs taking up improved crop farming, horticulture, fish farming or dairy products should be treated at par with that of industrial entrepreneurs in evaluation, sanctioning and funding of their projects, debt-equity ratio, margin money, subsidies, soft loan, incentives and collateral security in agriculture must be in the same lines as that of industry. For a farmer, farming should be made a profitable venture and for an entrepreneur investment in agriculture must be made as much if not more attractive than that of investing in industry. The funding and other support such as working capital, etc. must be prompt and timely unlike what is happening in industry these days rendering many units sick.

2.5 There should be a distinct re-orientation and thinking on the strategy and methods of infrastructure development. Critical infrastructures like water management, power generation, storage facilities and rural transportation should be designed and developed with agriculture as the core and not a periphery. Exclusive and local sources of water and power should be developed by identifying mini/micro hydel sources, utilising agro wastes, wind and tidal energy. There is a need to set up an extensive network of rural storage and processing facilities. As far as transportation is concerned all villages should be linked with proper roads to give the rural hinterland access to the market place. Road need not be pucca or expensive. Unpaved roads are sufficient provided culverts are provided where necessary making it all weather. The design and operation of public transport should be reoriented to cater to passenger cum goods which can be used by small farmers to transport their goods to the market place.

2.6 Availability and supply of inputs should aim at modernisation of agriculture, particularly small and marginal farms. Farm equipment and implements need to be modernised to bring the best out of the soil. Government policies and R & D efforts should be directed towards appropriate and cost effective farm implements to suit the small farm instead of encouraging high capacity tractors and harvestor combines. Adequate availability of good quality and high yielding seeds and other farm inputs like fertilizer pesticides etc. needs no emphasis.

2.7 Entrepreneurial and manpower development being a major requirement for transforming farming as an industry, the following steps are suggested for building up a reservoir of entrepreneurship and competent manpower in the agricultural sector :

i) Review of the current syllabus for agricultural graduates and make it more practical and field oriented. Entrepreneurial development should be part and parcel of agricultural education.

ii) Nationalised banks should set up one AE development centre each wherein agricultural graduates with proper aptitude will be admitted for proper grooming and fund support for farming enterprise. Preference should be given to graduates from farmers' families.

iii) Farm Polytechincs and Farm schools should be set up in rural areas in large numbers to train farm youth in Modern Farming. These should not be under government control but only government aided. These polytechnics and schools in addition to training fresh entrants, should hold retraining and refresher sourses to practicing farmers.

iv) Top priority should be given to vocational training and agriculture extension. Eighth plan must target at least one farm polytechnic in each district and one farm school in each taluk.

2.7 In line with industrial estates, complexes and areas catering to manufacturing sector, agro-processing and fishery and industrial estates and complexes must be set up near raw material sources with all infrastructure and allied facilities. For this purpose each state should have an Agro Infrastructure Development Corporation whose sole purpose would be to provide the basic infrastructure and forward integration facilities for manufacture and value addition of agricultural products. Their responsibilities would also include setting up of storage, warehousing and processing facilities which are vital for giving agricultural producers an advantage vis-a-vis traders.

This measure will help attraction of private investment in agriculture and agro-based industries in remote areas leading to generation of employment and raising income levels.

2.8 If agriculture and farming are to grow and prosper as an economic activity all the shackles and fetters should be removed. Government should immediately withdraw all controls (except quality controls) on movement, processing, marketing and export of farm products (except in years of scarcity). Agriculture cannot grow and farming cannot prosper with hands and legs tied. If it is to be an economic and commercial activity, it must have the freedom to be so, with backward and forward linkages and integration catering to the demands of the market place. Government may, however, retain control to the extent PDS can intervene to protect the interest of the farmer when price falls below a point, and to protect the consumer when the price rises beyond a certain level.

2.9 Government must take a definite and clear cut policy on wasteland utilisation. At present, these lands are rotting and lying fallow due to the policy confusion. Private sector should be encouraged to take up commercial farming in wasteland by allocating viable units of land and encouraging industrial farming. The thrust could be exports and production of pulses,oilseeds, coarse grains and horticulture crops. This is one of the means by which capital now being wasted in consumer durables could be diverted to farming and help in generating employment opportunities and export surplus.

2.10 The scientific and technological base for agriculture and agro-industries need to be urgently strengthened and modernised. So far this has been a neglected area vis-a-vis other sophisticated areas like electronics etc. This has cost the country very dearly. Major policy initiative is needed for orienting science and technology towards agriculture and agro industries.

2.11 It has been established that productive private investment in agriculture is largely influenced by public investment in agriculture. In the last few years though government/public expenditure on agriculture has more or less remained the same, actual investment

in agriculture has fallen sharply. This is because a major chunk of funds gets frittered away in salaries and maintenance and other non-productive expenses. These have eaten into the resources intended for capital formation in agriculture.

This should be critically reviewed and rectified. Government must ensure that real public investment in agriculture should go up progressively in order to sustain capital formation and trigger off private investment in this sector.

2.12 There is a need to bring the non-crop vocations like horticulture, dairy, poultry, sheep and goats, fishery, forests, etc. to the central stage. These products have immense potential to revolutionise the rural economy and substantially bring up rural income levels and job opportunities. As of now, this vital area is grossly neglected. A separate Department of Fishery and Animal Products should be set up immediately in the Ministry of Agriculture with a Minister of State in charge to chalk out schemes and programmes exclusively for this sector.

2.13 Fishery production, promotion and development should be carried out in a methodical and organised manner. A National Fishery Development Board should be set up with its headquarters in a major coastal city in the south. This Board should be charged with the responsibility of formulating strategy, schemes and programmes for tapping the vast potential of fishery in the country with a thrust towards domestic consumption as well as exports. The Board should also be responsible for planning and co-ordinating all activities connected with fishing, marketing, processing, storage, manufacturing and value addition of fish and fish products both salt and fresh water. Setting up of this Board for which a proposal is with the Ministry of Agriculture should be done in the first year of the Eighth Plan.

2.14 Risk and uncertainty being of a higher level in agriculture than in industry it is necessary to formulate a Comprehensive Insurance Package for the farming sector to cover damages / losses suffered due to vagaries of weather, natural calamities, sudden shrink in demand, lack of storage facilities, loss in transit, etc.

2.15 Policy imperatives and recommendations given above need careful consideration and conversion into programme for action if agriculture is to get out of the subsistence syndrome and get on to the growth path as an economic activity. These several programmes and schemes need to be delivered properly to the farming community even in remote parts of the country. As of now, there are four types of delivery agencies handling different aspects of agricultural development at the district level, being the basic unit of administration. These are the government set up represented by the District Collector and the Revenue and Development Officials working with him ; the co-operative set up ; the elected bodies of Gram, Panchayat, Panchayat Samiti and Zilla Parishad and Banks.

2.16 Of the three official agencies, district administration, co-operatives and banks — it is the banking set up which is least constrained by colonial legacy and is better tuned to development management. Almost all the schemes and programmes aimed towards upliftment of the rural sector and development of agriculture have made scant impact because these were delivered and supervised by an administrative set up which is revenue and status quo

oriented and not development oriented. The colonial legacy of master and subject mentality is still rooted and delivery efforts become command performances often rejected by the people. This agency is not suited for transforming farming into an industry.

2.17 Banks by and large are not tainted by this legacy and can be shaped up and groomed into an effective and development oriented delivery agency. By and large, they are commercially oriented and could be effective tool in converting agriculture and farming into a viable commercial activity at par with industry. For this durpose an indepth review of banking in Rural/Agricultural sector need to be undertaken and a comprehensive plan of action chalked out to restructure tone up banking sector to play a crucial role in transforming farming as a viable economic activity.

Summary

There is no need to declare agriculture as industry because nothing much will be gained by making such declaration. Agriculture is a distinct activity by itself and should be promoted and developed as such. Nevertheless there is an imperative to develop agriculture as a viable economic activity and promote it on commercial lines to make it attractive for farmers and agricultural entrepreneurs to invest funds, time and energy to increase production and productivity. To achieve this farming needs to be brought at par with industry in infrastructure, funding, credit, institutional support, inputs, incentives, manpower development etc. As an immediate step all loan facilities, subsidies and incentives which are being provided to rural industries should be made applicable on the same lines to agriculture and allied activities such as fishery, dairy, poultry, horticulture, etc. For commercial/industrial farming within the land, ceiling limits separate package of facilities and incentives in line with those applicable to small scale and medium industries should be designed and implemented. Waste lands should be thrown open to industrial farming with emphasis on employment generation and exports by exempting the holdings from the land ceiling limits. Cumulative effect of adoption and implementation of these policies would transform agriculture from the subsistance level to an economically viable activity resulting in tremendous boost to agricultural production and productivity. In addition these measures would lead to vast employment generation and manpower utilisation which is the most critical requirement for Indian polity and economy today.

Summary of Discussion

In presenting the paper, Mr. Devasagayam clarified the factors of his analysis in agriculture as industry into fourmain aspects Viz: 1 Price fixation 2. Infrastructure for agriculture 3. Essential inputs and 4. the adverse terms of trade for agriculture. Finally he arrived at a strong point that declaration of agriculture as industry is needless. The refreshing presentation generated discussion along 3 main lines.

The first related to the question of the effective agricultural price policy. Within this area, one of the participants wanted to know the alternative method to fix suitable prices for Indian agriculture. In replying to the question, the author putforth 2 main points. One is that the consideration of 'parity price' i. e., the farmer should get a price in par with his output. If it is done, the consumer should be protected by way of suppot price mechanism. The second is the 'free trade' policy-which is more effective for good price system. In this regard, the author criticized the Food Corporation of India's (FCI) procurement policy and its distribution mechanism. He pointed out that the FCI's procurement is not more than 20 per cent of the total output and the distribution cost exceeds 100 per cent than the normal price, if the FCI is removed then the annual savings would come around Rs. 5000 crores, it might be diverted to agricultural development.

The second issue related to small and marginal farmers.One participant questioned the problem of small and marginal farmers dominency in Indian agriculture and wanted to know how it could be re-solved. While answering this question the author stated that more than 48 per cent of holdings are less than half an hectare. This unconsolidated holdings are found everywhere and these landholders are using very poor and outmoded technology for crop production hence, their cost of cultivation is mounting up and they are not able to compete with large farmers in the market. The education system is totally irrelevant to uplift agriculture. The govenments, subsidy schemes to help small and marginal farmers are not reaching them properly. In order to solve these problems governments' intervention is necessary in the direction of consoli-

dation of land holdings; introducing modern techniques-suitable for small farmers and to enrich the infrastructural facilities in all rural areas which lead to better performance in agriculture and the government policies are much more critical for agricultural development specially for small and marginal landholders.

One issue that came up in the context was the lending policy to agriculture. The author pointed out, that the credit policy is always norm based but not need based. Moreover, the farmers are at the mercy of traders, the credit available to the farming community is inadequate to cater their agricultural needs. Their unviable economic position and illiteracy led the farmers not to utilise the credit in an expected manner. He further pointed out, that no institution is available to develop agriculture except state agricultural department. At the National level "NABARD"s programmes are not anthusiastic to develop agriculture because of its inadequate and very poor credit allocation. Hence he suggested the basic modification in the credit and lending policies which are necessary to boost agriculture.

The third issue that was raised was the utilisation of agricultural rural waste. While answering the question for making use of agricultural waste, the author suggested that there is wide scope prevailing to convert the rural waste into evergy consumption, fertilizer use and other relates for smallscale production. For this purpose a sound agro-based technology should be introduced in the rural areas. He also pointed out that agriculture is a sleeping giant in India and proper recognition has not yet been given by the government evenafter four decades of independence.

Dr. A. Dhanapalan Mosi who chaired the meeting pointed out that agriculture is a very profitable venture if it is done with proper technology. The prevailing Indian agro-technology is only for subsistence farmers who were not bothered-about the technological factors. There fore there was the need to change the subsistence agriculture into commercial farming. He further indicated that in agriculture new wealth is not created except transfer of wealth from one place to another, quoting with an example of milk production in Tamilnadu.

K. Sivasubramaniyan

Rural Development in the Approach Paper*

Prefatory

The prefatory comments should be made about the approach of the Eighth Plan Approach Paper.

First, the Approach is rightly set in the form of broad guidelines, standards and policies, leaving it to the states and local level institutions to develop the relevant programmes and appropriate projects. It is hoped that this guide-lining, standard setting approach will be maintained in the formulation of the National Plan, which will have to set the financial ceilings—availabilities and sectoral and inter state distribution- for the Plan, external trade accounts invol—ved in and for the plan, review and approve the large nation wide projects such as railways, steel and non ferrous metals, crude oil and gas production.

Second the Approach has moved away from the concentration on numbers, which have had such a fascination for all of us in the past. These numbers relate to the overall growth rate target for the economy, the saving rate, the ICOR, the percentage of families living below the poverty line, the various demographic numbers. These numbers are capable of manipulation and in some cases have been, as in the numbers of persons crossing the so called poverty line; they are also not everre alised.the gap between the proposed number and actual attainment widening over time; and they have distracted our attention away from the substance, which is the raising of the peoples' living standards. (Adiseshiah 1989). The numbers set forth at the end of Approach Paper seem forced, ad hoc and do not flow from the policies and guidelines formulateed in the paper.

Decentralisation

As far as rural development is concerned, which is concerned with the growth and improvement of 85 per cent of the country where 75 per cent of its people live, such development cannot be ordered from the national capital through the National Plan, or a department of Rural Development, or that of similar institutions in the capital of the states. It is a function of the planning and related action of local bodies, panchayats, panchyat unions,

* Abstracts of the article by Dr. Malcom S. Adiseshaiah for the Special Issue on VIII Plan Draft Approach Paper, Kurushetra, New Delhi, June 18, 1990

panchayat councils. Thus the guidelines of the Approach Paper to "transfer a substantial part of the responsibility for planning and execution of economic and social development programmes to elected representative institutions of the local government" is welcome and over due. There are some issues here on which further work is need. First, in addition to the 7 subjects to be transferred proposed in para 7.5 of the Paper, adult literacy should be added to primary education, maternity, child health and family planning should be added to health, and agriculture and allied activities, village industry and anti poverty programmes should be added. Second, elected local bodies exist only in 6 out of 22 states so that in addition to speeding the process of local elections in the other states, interim arrangements through the block development officer should be made. Third while such local level planning and administration will ensure growth at the local level, to combine such growth with what the Approach Paper calls an equitable distribution of its benefits there should be land reforms as in West Bengal and Kerala which should precede local elections, so that elected representatives are representatives of the local community in terms of incomes and assets distribution. Fourth, an essential feature of this system is to make available the staff and adequate financial resources to the local body, which in the former case faces resistance from the staff, and in the case of finance faces similar opposition from the state government and the state bureaucracy. This must be faced, by drastically reducing the direct involvement of the state in local level government, the state providing the needed expertise and infrastructure to the local bodies.

Agriculture

Rural development is equivalent, in the main, to the development of food and cash crops and their needed inputs — irrigation, fertiliser, seeds and other research inputs - animal husbandry, dairying and poultry farming, fisheries — inland and marine — forestry, and agri and agro industries. The Approach Paper calls attention to the urgent need to correct the distortion in this major area of rural development introduced by our planning to date, which has, on the one hand, reduced the contribution of this sector to national income from over 50 per cent at the start of the Planning process to 29 per cent today, with only marginal reduction 72 per cent in 1972-73 to 65.7 per cent in 1987-88 (according to NSS 27th and 43rd rounds) of the labour force dependent on it. The means of injecting new life into this sector is through a) development of the rain fed areas constituting over 70 per cent of the cultivated area b) land and water use planning, particularly the development of water sheds and command areas, c) the expansion and improvement of agricultural facilities, d) tying up laboratory research to the farm and field needs, e) giving equal importance in investment and inputs to market gardening, horticulture, sericulture, poultry, fishing, dairying and animal husbandry, agro processing and the backward and forward linkages with the manufacturing industries, f) increasing agricultural exports which will also increase the farmers income and g) which in the last analysis depends on agricultural prices where policy should aim at evening out wide fluctuations and provide the needed incentives for adoption and adaptation of modern technology and so increase output and rural capital formation.

TABLE I

	I Plan 1951-56			II Plan 1956-61			III Plan 1961-66			IV Plan 1969-74			V Plan 1974-79			VI Plan 1980-85			VII Plan 1985-90		
	Union,	States	Total	Union,	States	Total	Union,	States	Total	Union,	States	Total	Union,	States	Total	Union,	States	Total	Union,	States	Total
		& UTs			& UTs			& UTs			& UTs			& UTs			& UTs			& UTs	
1.Agriculture 2.Forestry 3.Animal husbandry 4.Fisheries 5.Irrigation 6.Rural Development 7.Village & Cottage Industries	45924.7	37595.60	83520.30	2790.81	95120.23	12461.23	26380.00	147552.00	173942.00	593.88	1526.71	2125.69	1633.49	2862.91	4496.33	7000.40	20779.67	27783.98	11078.07	31445.85	42523.92
Percentage of above to total outlay	54.92	45.07	45.41	22.36	76.32	25.91	15.16	84.82	21.94	38.84	71.82	13.31	36.32	63.17	11.41	33.62	74.78	28.49	26.01	73.94	23.62

Sources : Seventh Plan Documents

The table shows the declining percentage in the Union and state UTs public sector outlay on agriculture and related activities over the 7 plan periods, with some recovery in the V Plan, and despite high shares from the states and UTs. The first thing to do is to arrest the declining trend in the overall (total) outlays.

The table below sets forth the Union and states, UTs public sector outlay on items benefiting the Rural population.

TABLE II

	I Plan 1951-56			II Plan 1956-61			III Plan 1961-66			IV Plan 1969-74			V Plan 1974-79			VI Plan 1980-85			VII Plan 1985-90		
	Union	States & UTs	Total	Union	States & UTs	Total	Union	States & UTs	Total	Union	States & UTs	Total	Union	States & UTs	Total	Union	States & UTs	Total	Union	States & UTs	Total
1.Agriculture 2.Forestry 3.Animal husbandry 4.Fisheries 5.Irrigation 6.Rural Development 7.Village & Cottage Industries 8.Power 9.Transport & Communication 10.Education 11.Health	62498.78	53339.98	115838.76	64056.67	123123.28	188779.24	60769.40	212477.35	273246.75	1266.82	2465.88	3854.40	2785.27	5236.20	8439.76	11056.16	26079.65	37139.72	2743.60	40940.18	63713.58
Percentage of above to total outlay	50.31	64.40	55.94	25.00	54.9	39.3	14.91	52.82	33.94	15.16	35.01	24.21	13.19	27.02	21.42	23.19	51.89	38.09	23.82	48.41	35.34

Sources : Seventh Plan Documents

Investment in Rural Development

In this manner, to bring agriculture back to being an industry, occupying a central place in the economy, the Approach paper proposes "that the proportion of development outlays on schemes benefiting the rural population must be significantly raised, the target being 50 per cent". In this proposal to raise rural development outlays to the 50 per cent target, there are several issues that need clarification. First, it is not only the union sector public outlay that is involved, but much more agriculture and rural development generally being states subjects, also the outlay of the states must be taken into account in making the computation. But such states data is available only with a time lag. Second, the outlay in question must be not only that of the government- union and states- but also an increasing share of private—sector outlays, particularly gradually, their investment in the 180 million acres of wastelands which is to be brought under cultivation. On this no hard data is available, only guestimates. Third, there must be some agreement on what of the 13 items on which the public sector outlay of the union and states is allocated should be included in computing the 50 per cent target. While some items like agriculture and allied subjects and irrigation belong wholly to the rural development category, there is the problem of agreeing on the percentage of outlay on such items as energy, transportation, communication and even education and health which should be ascribed to rural development. The table I provides a comparative profile of union and states and UTs investment in agriculture and allied activities, irrigation, rural development and village industries over the 7 plan periods.

In table II the outlays set forth under items 8 to 11 are based on the assumption that 20 per cent of the power outlay is for rural areas, 15 per cent in the case of transport including railways and communication, 66 per cent in education and 60 per cent in health. On this basis, the continuing decline of the union outlay, and the states and UTs outlay (except for the VI & VII Plans) should be noted : as a consequence the total outlay of the country on agriculture and rural activities in the plans is seen to be declining sharply. This is disturing and explains the approach to agriculture and rural investment in the Approach Paper. In this connection, a Planning Commission study in early 1990, estimates that the attainment of the 50 per cent target of public sector outlays for rural areas and peoples will require that the share of the states (and UTs) plan on rural activities would have to be raised from the current 59 per cent to 65 per cent, and that of the union sector from the 32 per cent to 35 per cent. It shows that in the VII Plan Rs. 99,521.25 crores were spent on rural activities, out of the total public sector outlay of Rs. 222,169.25 crores, which means 44.8 per cent was spent and this should be raised to 50 per cent. Given the uncertain base on which all the above computations are made and the possible divergences on which and how much under certain items constitute realistic and effective expenditures that benefit rural areas and peoples, these calculations could be pursued maintly, if not solely, as an approximate moniroring check on all outlays, public and private, union and states and UTs, with the corollary that they have to be increased both per se and through diversion of outlays from non rural activities to rural ones. This would be assured by replacing the present produ-

ction and distribution model by the wage goods model. The priority proposed to be given to investment in agriculture and rural development is a one small step in that direction.

Rural Development, Employment and Poverty Alleviation

Rural Development : Rural development is thus the resultant of a complex of investments and activities starting with investment in agriculture and related activities and going on to land reforms, which comprise land ceilings and their effective and speedy enforcement, distribution of and means for development of the surplus land distributed, comprehensive regularisation of tenancies, minimum wages revisions and enforcement provision of homesteads. Here a good start has been made in the recent 66th constitutional amendment which brings all facets of land reform under the Ninth schedule, which should counter benami deals and cut short interminable delays, lasting in some cases to over 30 years in land reforms settlement. A second aspect of rural development is the speedy enforcement of some crucial elements of what has come to be called the 20 point programme, dealing inter alia with adult illiteracy and rural primary education, access to health facilities to all rural people with special emphasis on a rapid reduction of infant mortality, provision of drinking water to all villages. A third aspect is what has come to be called the integrated rural development and anti poverty programmes under, which around Rs. 5000 crores have spent annually on various projects called IRDP, NREP, RLEGP now grouped under JRY, DWACRA, TRYSEM, which are all essential relief programmes to meet the problems faced by the unemployed and under employed. These short term relief efforts are needed to meet the needs of the rural poor, for which the fragmentation, leakages, overlaps and planning and management of the programmes from Delhi and/or state capitals are replaced by their being run by local villages or panchayats, who are the only ones who can identify the poor families and ensure that the relief effort reaches them.

Employment: At the heart of the Rural Development effort is the generation of gainful employment — gainful because over 70 per cent of rural employment is under employment, disguised unemployment, mis employment at sub human incomes.

The table III gives the rates of rural unemployment and under employment as percentage of the labour force.

In 1987-88 unemployment in person years was estimated to be 12.43 million (usual principal status), 15.30 million (weekly status) and 18.95 million. One important structural change in the rural labour force brought out in Table III that should be noted is that while it shows that daily status of unemployed labour in person days has declined from 8.25 per cent in 1983 to 6.09 per cent in 1987-88, the percentage of unemployed workers has increased from 2.77 to 3.77 during the period, which shifts the focus from predominant under development to increased open unemployment. (Papola 1990). Another worrisome structural change in the rural work force is the sharp and steady increase in the casualisation of labour at the cost of the self employed and the wage employed as the table IV shows.

TABLE III

Rates of Unemployment (% Unemployed to Labour Force) during 1983 and 1987-88 by Sex and residence status

		RURAL			URBAN			TOTAL
Worker	Year	Male	Female	Total	Male	Female	Total	(R&V)
UPS	1983	2.12	1.4	1.91	5.86	6.90	6.04	2.77
	1987-88	2.87	3.52	3.07	6.07	8.77	6.56	3.77
WS	1983	3.72	4.26	3.88	6.69	7.46	6.81	4.51
	1987-88	4.16	4.27	4.19	6.71	8.93	7.12	4.80
DS	1983	7.52	8.98	7.94	9.23	10.99	9.52	8.25
	1987.88	4.58	6.91	5.25	8.79	12.00	9.26	6.09

UPS = Usual Principal Status. A person is considered unemployed according to this concept if he/she was available for but without work for a major part of the year.

WS = Weekly Status. A person is considered unemployed according to this concept if he/she, though being available for work did not have work even for one hour during the reference week.

DS = Daily Status. It is a measure of unemployment in terms of person days of unemployment of all the persons in the labour force during the reference weeke
Source : 38th & 43rd round of NSS : Papola 1990.

The table shows the sharp increase in the casualisation of rural labour as compared to urban labour involving 30 per cent of rural males and 30 per cent of rural females. The need therefore is for full time gainfull employment which is the major task of the rural development programme. The need for gainful employment, as pointed out is to counter the growing casualisation of labour and the lowly wages attached to it. Here there is a multi faceted dilemma. The minimum wages for the unorganised rural labour, as pointed out by National Institute of labour and which all the state funded anti poverty programmes follow, varies among the states from Rs. 8.50 to Rs. 12.75 per worker per day. Second, the Institute also points out that even taking the higher rate which works

TABLE IV

Percentage Distribution of Workers by Category of Employment

	Rural Male	Rural Female	Rural Total	Urban Male	Urban Female	Urban Total	Total (R+U)
Self Employment							
1972-73	65.9	64.5	65.4	39.2	48.4	40.9	61.4
1977-78	62.8	62.1	62.5	40.4	49.5	42.4	59.3
1983	60.4	61.9	61.0	40.9	45.8	41.9	57.3
1987-88	58.6	60.9	59.4	41.6	47.1	42.8	56.3
Salaried Regular Employment							
1972-73	12.1	4.1	9.2	50.7	27.8	46.4	15.3
1977-78	10.6	2.8	7.8	46.4	24.9	41.7	13.2
1983	10 3	2.8	7.5	43.7	25.8	39.9	13.7
1987-88	10.0	3.6	7.7	43.4	27.5	40.2	13.7
Casual Wage Employment							
1972-73	22.0	31.4	25.4	10.1	23.7	12.6	23.3
1977-78	26.7	35.1	29.7	13.2	25.6	15.9	27.5
1983	29.2	35.3	31.5	15.4	28.4	18.2	28.9
1987-88	31.4	35.4	32.8	14.7	25.4	17.0	29.9

Source : 28th, 32nd, 38th & 43rd rounds of NSS : Papola 1990

out to Rs. 3600 per annum, the poverty line having been officially established at Rs. 6400 per annum, it means that in all states, except Kerala, the minimum wages force the rural workers and his family to live in poverty. What is worse, as further pointed out by the Institute, that even these low minimum wages are not paid in any state (except Kerala), that records and registers that are required to be maintained are not maintained, and that the actual wages paid and other payments in kind average about 50 per cent of what is legislated. Here what is needed is for the National Commission on Rural Labour which has been reorganised in May 1990, to help implement the minimum wages legislation by the states as suggested by the 1986 labour ministers conference, which also requires that the wages be reviewed every 2 years, in light of the rising cost of living.

The Approach Paper sets a target of 3 per cent annual rate of increasing employment over the Eight and Ninth Plan on the assumption that the labour force will be increasing at over 2 per cent. This target has to be broken down between the 12/13 areas of rural development set forth in tables 1 and 2. An attempt is made to do this in the table V below.

TABLE V

Growth and Structure of Rural Employment

	1972-73 to 1977-78 (growth rate per annum)	1977-78 to 1983	1983 to 1987	1972-73 to 1987-88	Structure : percent of total rural employment in 1987-88
Agriculture	1.96	1.27	0.39	1.1	78.01
Mining & Quarrying	5.83	4.94	5.56	5.41	0.59
Manufacturing	5.89	3.19	2.84	3.95	7.34
Electricity, Gas and Water	15.71	3.59	5.36	7.90	0.71
Construction	1.52	6.26	17.91	8.09	3.37
Trade	8.75	2.67	4.74	5.25	4.09
Transport	7.14	7.10	55.56	6.64	1.32
Services	4.45	3.39	2.06	3.32	5.11
Total	2.53	1.68	1.00	1.75	100.0

Source : NSSO Rates and Population Projections of the Expert Committee on Population Projections : Papola (June 1990)

As manufactures genetate employment at 3.6 per cent per annum during 1972-73 to 1987-88, of which 80 per cent is due to village and small industries, a much lower rate of employment, it is agriculture and allied activities and village small industries which will have to generate a higher rate (say 5-6 per cent) of employment, which can be done if the detailed local plans are provided the technology and inputs to attain both efficiency higher output.

In the employment area, there is also the need to provide for those in the Ist two bottom deciles who are and will never be covered by any of the employment generating or poverty alleviation programmes. Fo them, a targeted social security systems is needed which will help rehabilitate the handicapped, widows and orphans, create and maintain a rather wide old age pension scheme and the extension of life insurance for the poor, with a subsidy from the union and state governments as a means of survival benefits,(Guhan 1985)

It is these various facets of employment generation and poverty alleviation— of generating employment at an annual average of 3 per cent with agriculture and VIs at 5 to 6 per cent, of enforcing a viable revised minimum needs programme and of launching a targeted social security system— that are incorporated in the Right to Work as set forth in the Approach Paper. That the right is also financially feasible and viable has been established in the article set forth in Kurukshetra Vol. XXXVIII No. 6 March 1990 (Adiseshiah 1990). The fiscal measures proposed by the Approach Paper begins with the results of the reorientation of rural development in bringing about a more efficient use of available resources and goes on to list the raising of productivity of fertiliser in agriculture, the urgency of energy conser vation, on to improving tax administration and arresting the deterioration of the revenue budget. These generalities are sound and good, but they miss out the specifics which can begin to set right the fiscal imbalance — namely annual percentage reduction in a) the swollen staff of the union and states governments during the Plan period, b) the specific amounts in defence wastages and c) bourgeosing subsidiaries. These will also contribute to the financing of the top priority of the Eighth Plan— which is the Right to Work, as the key to Rural Development.

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